

# Economics & Entrepreneurship

Operating a Classroom Business in the Elementary and Middle School



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Elementary and Middle School

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“  
*A concept of curriculum development  
that focuses on cognitive goals but  
ignores motivation is destined to fail.*”

*Task Force on Educational Growth*

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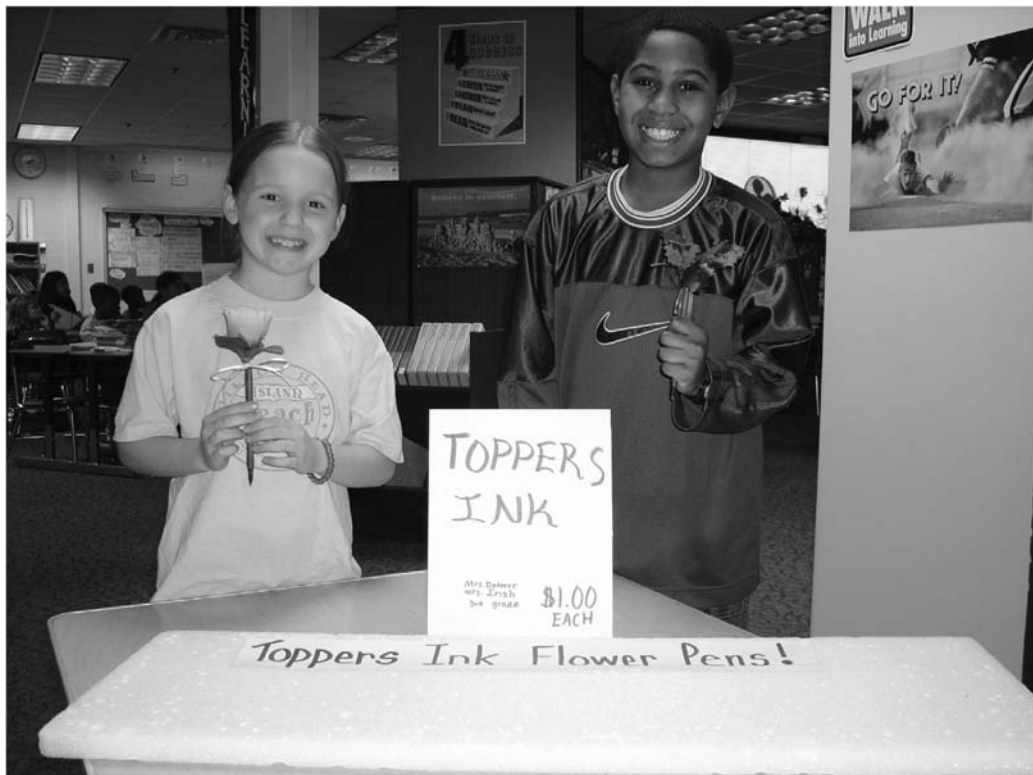


# The Importance of Economics and Entrepreneurship

In today's competitive, dynamic world, it is more important than ever that students gain a basic understanding of the world of economics and business. New companies and new technologies are coming into existence in the United States and throughout much of the world at an unprecedented rate, creating exciting employment opportunities for resourceful individuals willing to take risks and capitalize on these changes. This requires an entrepreneurial spirit that looks upon change as an opportunity, not an obstacle; a spirit that seeks creative ways to meet challenges instead of trying to block them.

Classroom business projects are an excellent way for elementary and middle school teachers to foster this entrepreneurial spirit in their students and at the same time to teach their students important economic and business concepts. These types of projects are highly motivating for students and generate much enthusiasm. These projects also serve as an integrating force in the curriculum since they give students the opportunity to apply basic skills learned in other subject areas. Students begin to see a reason for mastering the basic skills.

The economic, business, and entrepreneurial challenges of the future are great. By encouraging our students to develop skills in these important curriculum areas, we can prepare them to meet these challenges. In a very real sense, we have no option but to do so. Our economy is not, and cannot, be isolated. More than ever, our businesses and workers compete with other businesses and workers throughout the world. Our curriculum must reflect this reality. The Indiana Department of Education hopes that this booklet is helpful to that end.







# Chapter 1

## Getting Started

### Introduction

Classroom business projects have been a favorite of teachers for many years. In a typical business project, students produce and sell a product to other students in their school or to parents and members of the community. Typical products are food items such as popcorn, cookies, or candy; craft items such as potholders and candles; and functional items such as bookmarks, notepads, and paperweights.

Teachers usually undertake business projects because they are very motivating for students and are a welcome change from traditional methods of instruction. However, teachers are becoming more aware of how well business projects reinforce and enhance the traditional curriculum. Operating a business requires students to apply the knowledge and skills learned in many subject areas. Students begin to see a reason for mastering these skills. For example, students use math skills when computing costs, sales, and profits; language arts skills when applying for jobs and developing advertising techniques; and fine arts skills when creating products. Decision-making skills are stressed throughout these projects. On a more practical level, business projects are a very effective way for a class to earn money for field trips, school projects, and charitable causes.

Operating a business also provides an excellent opportunity to teach important economics and business concepts that are now very much a part of the social studies curriculum. Some of these are opportunity cost, productive resources, money, work, income, profit, trade, specialization, entrepreneurship, interdependence, supply, demand, and market price.

*Perhaps most importantly, a classroom business can be an excellent tool for encouraging students to think more entrepreneurially.* In today's highly competitive global economy, students must be trained to see peoples' problems as *opportunities* for entrepreneurial business ventures. In other words, students must be encouraged to take calculated risks to come up with creative and viable ways to satisfy consumer wants. The monetary reward for the successful entrepreneur can be significant, but even more important, new businesses are the economic engine that create jobs and enable our communities to grow and prosper.

# The Purposes of This Booklet

This booklet has two basic purposes. First, it is a “how to” manual for teachers. There are many things to consider when operating a classroom business, and at times the details can seem overwhelming. This booklet gives step-by-step, practical instructions which are applicable to a variety of grade levels.

The second purpose of this booklet is to show teachers how to use classroom business projects to teach basic economics and business concepts more effectively. Frequently, teachers do not present important concepts during the course of a business project. Consequently, students complete business projects without ever really learning the important underlying economic and business concepts. Students may enjoy the projects and gain a great appreciation for the world of business and economics, but the actual learning of specific concepts may be minimal. The golden opportunity to teach these important concepts in a “real life” context is lost.

For this reason, teachers will notice that economic and business concepts are stressed throughout the booklet.

Near the beginning of each chapter is a section explaining the important economic concepts introduced in the chapter. In the specific teaching activities, important vocabulary words are listed and are defined in student language. Specific questions to ask students are also provided.



Economics and Entrepreneurship tests for three different levels are included in Appendix A. (The tests target economic content appropriate for grades 3/4, 5/6, and 7/8.) Teachers are encouraged to use these tests to evaluate students’ conceptual understanding of the concepts. Appendix B contains an Attitude Survey towards Economics and Business and is another useful evaluation tool.

Appendix C is an annotated bibliography of children’s literature books that have entrepreneurship and economic themes. These books are excellent for reinforcing classroom business activities.

## Some Important Considerations

These important considerations will help you get off to a good start with your classroom business project.

### ***1. Review the economic concepts that will be taught during the project.***

The brief explanation of the economic and business concepts at the beginning of each chapter is not intended to provide a thorough understanding of the concepts. Teachers may wish to consult other sources. The short booklet, *What Economics Is About*, is a good primer. Another booklet, *Free Enterprise: The Economics of Cooperation*, published by the Federal Reserve Bank of Dallas, is also very good.

It is very helpful if teachers take a workshop in basic economics. University Centers of Economic Education in the National Council on Economic Education (NCEE, [www.ncee.net](http://www.ncee.net)) network offer many workshops throughout the United States, including Indiana. See Indiana Council for Economic Education (ICEE) – [www.econed-in.org](http://www.econed-in.org).

### ***2. Introduce your students to some business and economics concepts before you begin your classroom business.***

There are many curriculum materials teachers can use to teach basic economics and entrepreneurship to their students. NCEE has an extensive curriculum catalog ([www.ncee.net](http://www.ncee.net).) The Indiana Council also offers creative curriculum materials at its popular KidsEcon Posters site ([www.kidseconposters.com](http://www.kidseconposters.com))

### ***3. Relate the Classroom Business Project to Your Regular Curriculum.***

It is helpful to relate your business project directly to existing topics in your social studies curriculum. For example, in classes emphasizing world history or geography, students could produce products representing different foreign countries. Students in classes studying United States history could make products representing a particular era in American history, possibly using the tools and production techniques of that era. Students studying their state's history could make products relating directly to their own state history or economy.

While a classroom business project is usually considered part of the social studies curriculum, teachers should use the business activities to emphasize other areas of the curriculum. For example, use job applications for emphasizing handwriting skills. Place economics and business vocabulary words on the weekly spelling lists. Have students read biographies of famous inventors and entrepreneurs. Develop math word problems and graphing activities using business situations and data. Have students use business

themes for creative writing assignments or keep diaries of daily business activities. The possibilities are endless.

It is also important to realize how widespread the specific business and economic concepts are in the regular social studies curriculum. Even if “economics” is not taught explicitly as a separate subject, primary teachers frequently teach economic concepts such as needs and wants, goods and services, types of jobs, how people earn money, counting money, spending money wisely, community workers, natural resources, tools and machinery, and scarcity.

In the intermediate grades, teachers introduce additional topics and themes such as trade, specialization, productivity, assembly lines and mass production, unemployment, how geography influences trade, supply, demand, technology, economic systems, and taxes. Many of these primary and intermediate level topics can be emphasized in the context of a classroom business.

#### ***4. Teach Concepts in Everyday Classroom Situations.***

Try to avoid teaching economic and business concepts only during “business time.” Instead, use everyday classroom situations to teach and reinforce the concepts. Many can be taught informally, as situations arise naturally in the classroom. Chapter 5 in the curriculum booklet, *The Classroom Mini-Economy*, explains in further detail how to do this. (Available from NCEE – [www.ncee.net](http://www.ncee.net))

#### ***5. Get Permission from Your Administrators.***

Discuss your classroom business ideas with your principal. There are always practical administrative considerations to think about when undertaking such a project. Your principal will want to set broad parameters for the project and can give much practical advice. It is important that the principal understand how your project emphasizes social studies concepts and how it ties together the other subjects in the curriculum.

#### ***6. Use Parents and Other Community Resources.***

It is good idea to send a letter home to parents describing the basic details of the business project and soliciting their help. Parents are a valuable source of expertise and, in most cases, will want to help make the project a success. Put a tear-off sheet at the bottom of the letter so that parents can indicate how they can help. It is probably best to send the letter home after the class has decided what product to produce.



The resourceful teacher will also use other community resources during the course of a classroom business project. Business people can visit the classroom to explain how to raise financial capital, market products, and perform accounting procedures. Labor representatives can show how to make products efficiently while keeping quality high. If at all possible, let your students visit a community business or factory.

## ***7. Don't Forget to Evaluate Your Students.***

Before doing any curriculum project, it is best to plan some kind of evaluation. Teachers can use the tests provided in Appendix A or can construct their own tests. (The three tests target economic content appropriate for grades 3/4, 5/6, and 7/8.) Teachers may also want to use the Attitude Survey provided in Appendix B to measure changes in attitudes toward economics and business that have occurred as a result of doing the business project.

## **Do I Need to Do Everything In This Booklet?**

Probably not, but you may do more than you think! Teachers in the lower primary grades will certainly not do all of the suggested activities, especially those that are too complex for their students or that introduce concepts that are too difficult. However, primary teachers can adapt many of these activities to their particular grade level, and will find their students responding enthusiastically to them.

Teachers in intermediate grades may also wish to omit certain activities. *The important thing to remember is that this booklet is a tool to help you. Don't worry if you don't follow every step or suggestion.*



# STEPS FOR OPERATING A CLASSROOM BUSINESS

Below is an outline of the basic steps for operating a classroom business. Each step represents a chapter goal and is explained in detail in the rest of this booklet.

## **STEP 1 Decide What to Produce (Chapter 1)**

Objective 1: *Identify Several Possible Products*

Objective 2: *Identify Final Product (Use Decision Grid)*

## **STEP 2 Decide How Many Products to Produce (Chapter 2)**

Objective 1: *Conduct a Market Survey*

Objective 2: *Identify Productive Resources*

Objective 3: *Estimate the Cost of Producing the Product*

Objective 4: *Estimate Profits*

## **STEP 3 Organize the Business (Chapter 3)**

Objective 1: *Determine the Form of Business Ownership*

Objective 2: *Choose Managers for the Business*

## **STEP 4 Finance the Business (Chapter 3)**

Objective 1: *Raise Money to Start the Business*

## **STEP 5 Produce the Product (Chapter 3)**

Objective 1: *Choose Students for Specific Jobs*

Objective 2: *Produce the Product*

## **STEP 6 Market the Product (Chapter 4)**

Objective 1: *Advertise Your Product*

## **STEP 7 Sell the Product (Chapter 4)**

Objective 1: *Determine Product Price*

Objective 2: *Sell the Products*

## **STEP 8 Make Decisions About Profits (Chapter 5)**

Objective 1: *Compute Profits*

Objective 2: *Decide How to Use Profits*

Objective 3: *Make a Final Report*



# Chapter 2

## Deciding What and How Many to Produce



### Chapter Goals

This chapter has two major goals. The first goal is to decide **what** product(s) to produce and sell. The second goal is to estimate **how many** to produce.

In many instances, teachers have already decided what product to produce. For example, it may be a tradition for students in a particular class or grade level to produce and sell chocolate chip cookies each year. Or the teacher may simply have a favorite craft item in mind for the class to produce. This certainly simplifies the situation!

*However, teachers should seriously consider involving their students in deciding what product to make.* There are several compelling reasons for this. First, by taking part in the decision-making process, students identify more strongly with the project. They sense that it really is their project, and they develop an even stronger incentive for making the business succeed.

Second, getting students involved in the decision-making process adds a very important element of realism to the project since it forces students to consider the desires of potential consumers. In other words, students learn that in order to be successful, a business must satisfy the wants of consumers. Simply announcing the product to the class shortcuts this entrepreneurial reasoning.

A good alternative for teachers who already know what product they want their students to produce, is to let the students determine the particular **type** of product. For example, a teacher who wants her class to bake and sell cookies can use Goal 1 activities to help the students determine what *kind* of cookie. Or if the teacher chooses candles, students can determine the style, color, and shape that they think will meet consumer demand.





## Explanation of the Economic and Business Concepts Taught in Chapter 2

### Productive Resources and Scarcity

People everywhere have **economic wants**. We classify these wants into goods and services. **Goods** are tangible items such as books, cars, carrots, paper clips, and shirts. **Services** are activities that people want done for them such as haircuts, car repairs, teaching, or housecleaning. Fortunately, every society is endowed with resources which can be used to provide many of these goods and services. These resources, which economists call **productive resources**, or **factors of production**, are commonly classified into three groups: natural resources (land), human resources (labor), and capital resources.

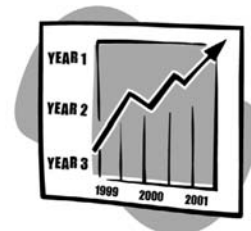
**Natural resources** are gifts of nature, such as coal, water, trees, and land itself. **Human resources** refer to the human work effort used in production. **Capital resources** refer to man-made physical resources, such as buildings, tools, and equipment (physical capital), and to the human skills (**human capital**) used in production.

The fundamental problem confronting individuals is that productive resources, and therefore the goods and services that can be produced from them, are **limited** whereas the goods and services that individuals want are virtually **unlimited**. This tension between unlimited wants and the limited productive resources available for satisfying these wants is what economists refer to as **scarcity**. Thus, computers, diamonds, pencils, hammers, oil, paper clips, haircuts, and bananas are all scarce because many individuals want them, but their availability is limited. In other words, they are not *freely* available to individuals in unlimited quantities.

### Entrepreneurship

**Entrepreneurs** are individuals who take calculated risks to start or expand businesses. Entrepreneurs purchase scarce productive resources and then organize the production of a particular good or service.

A fundamental goal of an entrepreneur is to make a **profit**. Profit is the dollar amount remaining after *all* the costs of production have been subtracted from sales revenues. In order to make profits and be successful, entrepreneurs must affordably satisfy the economic wants of consumers. If consumer wants are not satisfied, then an entrepreneur's business will suffer losses and will eventually fail.



This means that entrepreneurs must choose carefully how to use their scarce productive resources. Resources used to produce one particular good or service cannot be used to produce another. A building used for a pizza restaurant cannot simultaneously be used

for a computer service shop. The important idea to teach students is that the true cost of using a resource is the best alternative use for that resource. Economists call this best



alternative use the **opportunity cost**. In our example above, if an entrepreneur believes that a pizza restaurant and a computer service shop are the two best uses for the building, then the opportunity cost of opening the restaurant would be the gain given up by *not* opening the computer service shop. Likewise, the opportunity cost of opening the computer service shop would be the gain given up by *not* opening the pizza restaurant. Because productive resources are limited, there is an opportunity cost to every entrepreneurial decision.

There are many uncertainties in running a business. Entrepreneurs may overestimate consumer demand for their products or the prices of productive resource may rise unexpectedly. There could be worker strikes, unexpected and costly government regulations, or increased competition from abroad. The uncertainty of the future guarantees that every business venture will entail some degree of **risk**. Entrepreneurs will produce goods and services only if the expected profits are great enough to warrant the risks incurred in production.

## Goal 1: Deciding What to Produce



In this section, you and your students will decide exactly what good or service to produce. Many economic and business concepts are introduced to your students. You will find it very helpful to teach many of these basic concepts *before* beginning the actual business project. This reduces the number of new concepts the students must learn, and instead allows students to focus on how the concepts relate to the actual classroom business.

**Important! Goal 1 is the most important goal for developing entrepreneurial thinking in your students.** This is because deciding what to produce gets at the heart of what it means to be an entrepreneur – discerning specific consumer wants that can be satisfied by producing a specific good or service.

So it is very important to spend some time helping students think about what goods or services consumers really want and would be willing to pay for. Encourage them to think carefully and brainstorm ideas. Resist the temptation to provide your own ideas, at least at the beginning!

Obviously, the problem you face as a teacher is that you and your students have constraints that limit the full range of possible entrepreneurial endeavors. For one thing, you have other classroom activities you must do each day! Also, your students may be

very young and this may be their first business activity. Having said that, do your best to help your students discern opportunities for providing a good or service that people really want.



## Teaching Objectives for Goal 1: Deciding What to Produce

There are two Teaching Objectives for accomplishing Goal 1. Under each objective are listed the economic concepts and specific activities. Specific questions to ask students and helpful teaching tips are also provided.

### OBJECTIVE 1: Identify Goods or Services the Class Could Produce and Sell

#### Important Concepts

**Economic Wants** – desires that can be satisfied by consuming a good, service, or leisure activity.

**Business** – an entity that produces and/or sells goods and services

**Consumer** – someone who buys goods and services

**Entrepreneur** – someone who takes the risk to start a business

**Goods** – things that people want that you can hold or touch

**Services** – actions, like a haircut, that satisfy someone's wants

**Producer** – a business or person who provides (makes) a good or service for consumers



#### Specific Teaching Activities

1. Discuss economic wants with your students. Give examples of goods and services that satisfy consumers' economic wants (*car, house, candle, computer, haircut, lawn service, etc.*)

2. Discuss how people get the goods and services they want. (*Students will probably say people purchase goods and services at the store, which is true. Explain that goods and services must first be produced by businesses*) Discuss what a business is with your students. Have students give examples of businesses.
3. Discuss the term “entrepreneur.” Explain that entrepreneurs are people who take a calculated risk to start a business. Entrepreneurs hope to earn profits by providing goods and services that people want. Give examples of past and present entrepreneurs or read a book that describes the successful business ventures of a famous entrepreneur.
4. Ask the class if *they* would like to be entrepreneurs and earn money by producing a good or service! (*Yes!*)
5. First, discuss how many products exist because entrepreneurs produced them to meet common problems or irritations people experience. That is, entrepreneurs see these “problems” as opportunities to provide a good or service – and make a profit! Examples might include automatic garage door openers or trunk openers for cars. Also, automatic door lock buttons save people the hassle of unlocking doors when their hands are full of groceries, etc. There are many examples. Have students think of some and discuss these in class.
6. Hand out the “I Can’t Stand It When” worksheet. Point out that many simple things we commonly use now, like an ice cream scoop, were an entrepreneur’s response to a problem, in this case, of bending regular spoons when serving ice cream. Have students work in teams to answer the worksheet questions.
7. For homework, have students discuss possible classroom business ideas with family members. Students must come to class with at least three possible ideas. Encourage them to bring in examples or drawings of products.
8. Discuss all business ideas. Ask students to narrow down all the ideas to several they think are the best. Since there may be some disagreement, initiate a decision-making exercise (Objective 2 below) to reach a consensus.

Note: You may want to bring in examples of possible products, especially those that have worked well in the past. But do this only if students are having trouble deciding on a product.

***Remember!***

*Your goal is get your students thinking about products that will satisfy consumers – not just products the students like to produce. The final product chosen need not be a solution to a problem or a frustration, but it should be a product that students think potential consumers will really want to purchase.*



# I Can't Stand It When....



Entrepreneurs see problems as opportunities. They think of bothersome situations or problems that people have. Think of a situation when you have said the following: "I can't stand it when \_\_\_\_\_" or "I wish I didn't have to \_\_\_\_\_" when you are confronted with something that bothers you, frustrates you, or causes you problems. Entrepreneurs often turn these "problems" into business opportunities!

1. List three examples of real goods or services already produced by businesses that help people solve problems or deal with frustrations. Explain how the good or service solves the problem.

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2. Below, complete these sentences with problems or things that irritate you! Then think of possible solutions! Be creative; there are no "right" answers to this.

a. "I can't stand it when \_\_\_\_\_"  
\_\_\_\_\_

Possible solution: \_\_\_\_\_  
\_\_\_\_\_

b. "I can't stand it when \_\_\_\_\_"  
\_\_\_\_\_

Possible solution: \_\_\_\_\_  
\_\_\_\_\_

3. Now think of an "I can't stand it when" problem others (or you!) have and come up with a *real* good or service you or a classroom business could produce to solve it!

b. "I can't stand it when \_\_\_\_\_"  
\_\_\_\_\_

Real good or service to solve the problem \_\_\_\_\_  
\_\_\_\_\_



## Questions to Ask Students

- Do these business ideas provide a **good** or a **service**? *(Usually a good, although students may want to provide a service. Sometimes a class can provide a service along with their product. For example, for a fee, students can wrap and/or deliver customer purchases.)*
- What do we call people who will buy our product? (**consumers**)
- What do we call the businesses that provide goods or services to consumers? (**producers**)
- What is the special name for a person who takes a risk to start a business? (**entrepreneur**)
- Write this sentence on the board: "Businesses make goods for consumers." Underline the word "make." What word could we use instead of "make?" (**produce**)
- When deciding what good or service to provide, what is the most important thing a business must consider? *(The business must produce a product that consumers want and are willing to pay for. Also, to be successful, a business must produce a good or service at a cost low enough to make a profit.)*



## Teaching Tips

Have your students begin an economics/business notebook. In it, students can define vocabulary, write essays about the business, paste magazine pictures that represent various concepts, record business data, keep a business diary, etc.

## OBJECTIVE 2: Use a Decision-Making Grid to Help Determine What Product to Produce

### Important Concepts

**Criteria** – Important things to consider when making a decision

**Opportunity Cost** – the most valuable alternative you give up when you make a choice

**Profit** – the income an entrepreneur makes by running a successful business; the money left over after subtracting all the costs (expenses) from the sales revenues (income)

**Risk** – the chance entrepreneurs take that a business will not be successful



### Specific Teaching Activities

Use the Five-step (PACED) Decision Model described below to choose which product to produce. Use the Decision Grid, Form 2-1.

#### **Step 1:** *Define the Problem*

This part is easy – what product should our class produce?

#### **Step 2:** *List the Alternatives*

List the two or three potential products identified in Objective 1 on the left side of the Decision Grid, Form 2-1.

#### **Step 3:** *Define and List the Criteria*

With your class, discuss important criteria and list the most important ones across the top of the chart. The criteria might include: Can We Produce It?, Will Consumers Like It?, Affordable for Consumers?, Safe for the Environment?, Profitable to Produce?, Okay with the Principal?, and Very Risky? Students may suggest other criteria, such as Fun to Produce?, Can All Students Participate?, Enough Time to Produce?, etc.



#### *Step 4: Use the Criteria to Evaluate the Alternatives*

Evaluate each product to see how well it “fits” each of the criteria. Put a number score into each box according to the following scale:

- Fits Very Well – 5
- Fits Fairly Well – 4
- Fits Somewhat – 3
- Doesn’t Fit Very Well – 2
- Doesn’t Fit Well at All – 1

For example, in the sample Decision Grid (Figure 1), popcorn is usually very Profitable, so a 5 is placed in the appropriate box. However, students may say that popcorn is not that Fun to Produce, so in this box, a 2 could be the score. If the students learn that the principal will not let them sell darts and dart boards, then a 1 should be placed in the Okay With Principal box.

#### *Step 5: Make a Decision*

After placing number scores in each box, add across the rows to determine a score for each product. Compare scores and use them to help make your product choice.

Be careful! The highest score may not be your final choice. It all depends on the importance the class attaches to each criterion. In our example, even though popcorn earned a higher score than candles, the students may still want to choose candles if the “Fun to Produce” criterion is the most important to them. Since we assumed that the principal would veto the darts and dart board project, the students would not choose that option, even if it scored the most points!



## Decision Grid

	Criteria					
Alternatives						Total Points

# Sample Decision Grid

(Figure 1)

	Criteria					
Alternatives	Profitable	Fun to Produce	Okay with Principal	Affordable to Consumers	Are We Able to Produce it?	Total Points
Popcorn	5	2	5	5	5	22
Darts/Board	3	4	1	3	3	14
Candles	3	5	5	3	4	20



## Questions To Ask Students

- What are “**criteria**?” (*Important things to consider when making a decision*) What are the criteria we used in making our decision? (*Discuss the criteria listed on the students’ Decision Grid.*)
- What is the **opportunity cost** of choosing our particular product over the others? (*The value of our best alternative. In the example, if the candles were chosen, then the opportunity cost would be not getting to produce popcorn. Because of the principal, the dart/dartboard project is no longer an option. The crucial concept to teach students is that there is an opportunity cost to every producer decision. Producers and entrepreneurs must make choices how to use their scarce productive resources. A decision to produce one product means giving up the opportunity to produce another.*)
- What is **profit**? (*The income remaining after subtracting all costs from revenues; the money we will earn if we have a successful business*)



## Teaching Tips

- Emphasize that the more a business satisfies the wants of consumers, the more profitable it will be. Successful entrepreneurs are skilled in anticipating and providing for the most urgent wants of consumers.
- “Malcolm Decides” from the *Trade-Offs* series is dated, but is still excellent for teaching 3rd-5th grade students the basic decision-making model described above. For middle school students, the first two lessons from the *Give and Take* series, “You Choose: Scarcity and Personal Decision-Making,” and “We Choose: Social Decision-Making,” are excellent, though also dated. The excellent primary video series, *Econ and Me* teaches students to use a simple “decision tree” to help make decisions.

## Goal 2: Deciding How Many Products to Produce

In this section, you will estimate how many products your business will produce. Students first perform a market survey to estimate consumer demand/preferences for their product. Next, students identify the productive resources needed to produce the good or service and the cost of these resources. Armed with this information, students can determine how many products to produce and can estimate profits.



### Teaching Objectives for Goal 2: Deciding How Many Products to Produce

#### OBJECTIVE 1: Conduct a Market Survey

##### Important Concepts

**Demand** – the number of products consumers are willing to buy at different prices

**Demand Curve** – a graph showing the number of products consumers are willing and able to buy at different prices

**Law of Demand** – the fact that consumers will buy more of a product when its price goes down, and will buy less of a product when its price goes up (assuming nothing else changes)

**Market Survey** – a way to gain information about consumer preferences, including how many products consumers will buy at different prices

**Price** – the amount a consumer pays to buy a good or service and the amount a business receives when it sells a good or service.

**Sales Revenues** – the total amount of money a business receives from selling its products



## Specific Teaching Activities

Explain that before production begins, we should get information about how many of our products prospective consumers will be willing to buy. Ask students for suggestions. Explain that businesses often conduct market surveys to get information, and that their class business could also.

Show students the Market Survey Data Collection Form (Form 2-2) and explain how to use it. Put possible prices for the product in the price column. Put prices from highest to lowest. Students ask individual consumers how many of the product they would be willing to purchase at each price. (It is helpful if students have examples of the product, but that may not be possible.) Each Data Collection Form can be used for six consumers.)

Discuss ways to contact potential customers. One possibility for getting data from other students, parents, or community members is by direct interview. Another possibility is to set up a table in a strategic location in the school and solicit information from students who pass by. Don't forget to collect market survey data from your own students if they will purchase products. And don't collect data from the same people!

Use the Market Survey Summary (Form 2-3) to analyze your data. Compute the total number of products that would be bought at each price, and write these totals on the Survey Summary. Then plot the data from the first two columns in graph form using Form 2-4. In economics, this graph is called a **demand curve**. It is very helpful to gather other kinds of information from consumers besides price and quantity data. A class that has decided to sell candles may want to ask consumers what color, size, and style of candle they prefer. Design an additional market survey form with questions to ask consumers about your product.

Discuss your market survey with the class using the questions below.



## Questions to Ask Your Students

- What is **price**? (*Price is what people pay when they purchase a good or service and what they receive when they sell a good or service.*)
- How does a **market survey** help a classroom business? (*It shows how many products consumers are willing to buy at various prices. It also helps a business learn what kind of products consumers want most.*)

- At what **price** would a classroom business sell the most products? *(The lowest price!) The fewest products? (The highest price!)*
- What pattern do we see in the **demand** graph? *(As price decreases, consumers buy more; as price increases consumers buy less. In economics, this relationship is known as the Law of Demand.)*
- At what price will we make the greatest amount of **sales revenues**? *(The price at which the number sold times the price is greatest.)*
- Could we make this many products in the class times allotted to do our business project? *(Hopefully, yes. If not, the class may choose to produce less and charge a higher price! Use the market survey data to help you.)*
- Is **market survey** data guaranteed to be accurate? *(No! It serves as a guide, but you can never be completely sure how consumers will respond in the future when the product actually goes on sale.)*



### Teaching Tips

On the Market Survey Data Collection Form, be sure to have one or two prices that are unrealistically low. This lets students see that at a low price they could sell many products, but the price would be much too low to cover the realistic cost of producing the products. (The cost is estimated below in Objective 3.)



FORM 2-2

Market Survey Data Collection Form

Our class is conducting a market survey to gather information about the product our class is planning to sell. Could you please provide us with some information? How many \_\_\_\_\_ would you buy if the price was \_\_\_\_\_? (Ask each price.)

Price	Person 1	Person 2	Person 3	Person 4	Person 5	Person 6	Total



FORM 2-3

## Market Survey Summary

1. In the blanks below, put the **total** number of products that the consumers would buy at **each** price. To compute the 3rd column, multiply the first two columns.

Price	Total Number Consumers Would Buy	Amount We Would Earn (Sales Revenue)

2. At what price would we earn the most? \_\_\_\_\_

At that price, how many products would we sell? \_\_\_\_\_

What amount would we earn? \_\_\_\_\_

3. Can we make this many products in the time we have for our business project? \_\_\_\_\_

4. If not, how many products should we make? \_\_\_\_\_ And at what price should we sell them? \_\_\_\_\_

What amount would we earn? \_\_\_\_\_

## FORM 2-4

### Graphing Market Survey Results

On the graph below, show the results of your market survey. Use the prices and product totals that you put on the Market Survey Summary (Form 2-3).

PRICE


TOTAL NUMBER CONSUMERS  
WOULD BUY

1. At what price will we sell the most products? \_\_\_\_\_
2. At what price will we sell the fewest products? \_\_\_\_\_
3. What pattern do you see on your graph? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## OBJECTIVE 2: Identify the Productive Resources

### Important Concepts

**Capital Resources** – things made by people that are used in production, such as tools, buildings, equipment, and machines

**Human Resources (Labor)** – the work that people do in production

**Natural Resources (Land)** – things found in nature that are used in production, such as water, minerals, land, and trees

**Productive Resources** – the natural resources (land), human resources (labor), and capital resources (tools, equipment, buildings, etc.) used to make goods and services

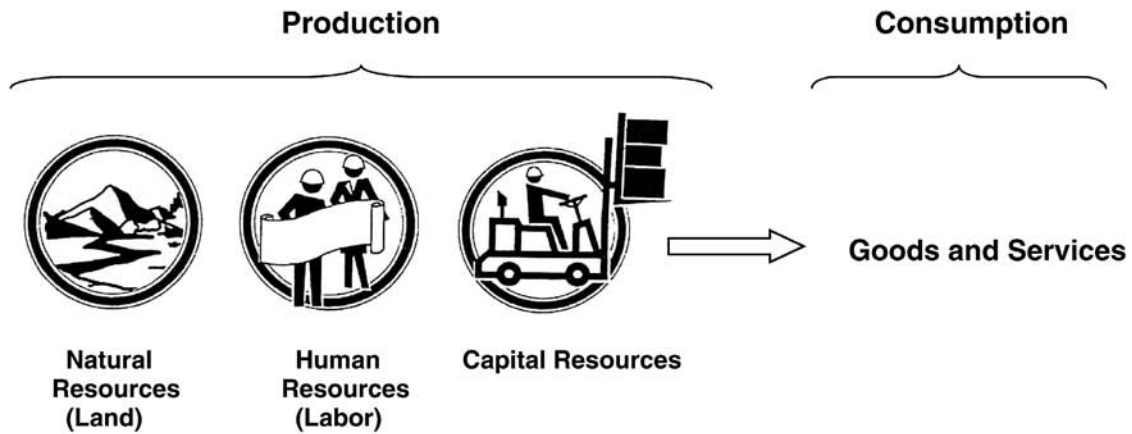
**Scarcity** – when people's wants are greater than the resources for satisfying those wants



### Specific Teaching Activities

1. Teach students about production and productive resources. The following diagram of the production process may be helpful. It illustrates how the productive resources (land, labor, and capital) are combined to produce goods and services. It is very helpful to have students learn how to draw the production diagram from memory.
2. Ask students to identify the productive resources needed to produce and sell their product. Write the resources on the board and then have students classify them on Form 2-5. Younger students may wish to draw pictures of the resources.

## Using Productive Resources to Produce Goods and Services



Goods and services are considered “scarce” because there are not enough productive resources to satisfy all of society’s wants for them.



### Questions To Ask Your Students

- Are the **productive resources** needed to make our product **scarce**? (Yes) Why? (If they were free, there would not be enough for everyone to have all that they wanted. Plus, the fact that they have a price illustrates that they are scarce.)
- Because the **productive resources** are **scarce**, how do we obtain them to make our product? (We have to buy them. However, in a classroom business some of the resources may be donated.)
- What is the **opportunity cost** of using these productive resources to make our product? (The best alternative use for the resources, i.e., the product that would not be made from the resources as a result of using them to produce our product.)



## Teaching Tips

- Point out that even donated resources, in an economic sense, are still scarce. They have value, and if they were made freely available, other people would also want to use them.
- Also point out less obvious productive resources that students may not have identified, such as the use of the school building, electricity, water, etc.
- You may wish to classify raw materials you may need, such as paper, yarn, wax, etc., as “natural resources.” This is not strictly accurate, but these intermediate materials certainly contain natural resources and can be classified in this manner for this business project.



FORM 2-5

Identifying Productive Resources

NATURAL RESOURCES (Land)	HUMAN RESOURCES (Labor)	CAPITAL RESOURCES (Tools, Equipment, etc.)

## OBJECTIVE 3: Estimate the Cost of Producing the Product

### Important Concepts

**Costs** – what businesses pay for productive resources; expenses a business pays to produce a product

**Rent** – the money a business pays for using (leasing) buildings and equipment

**Wages** – the money a business pays for labor resources

**Interest** – the price of money that is borrowed or saved



### Specific Teaching Activities

1. With your students, estimate the cost of producing your products by using the Product Cost Computation Sheet (Form 2-6). In the blank at the top of the sheet, put the number of products that you will use for your cost calculations. This number normally would be the amount that gives the most sales revenues, as calculated on the Market Survey Summary (Form 2-3).

In many cases, resources will be donated or can be used free of charge. Some teachers include these kinds of costs in their calculations. For example, the teacher may require the business to pay the school for the use of school facilities, electricity, etc. Whether or not the teacher charges the business for donated resources, the students should understand that these donated resources are still scarce, and in the real world would be actual costs of business.

How teachers handle student labor costs varies. In some classroom businesses the students do not receive wages, and labor costs are, therefore, zero. In other projects, teachers pay their students money wages for their work. In this more realistic situation, the teacher must include student wages in the cost calculations.

Explain that for a business, **interest** is the cost of borrowing money. This is a cost that a class may have to incur if it has borrowed money to finance the business.

2. Calculate the average cost of producing one product by dividing the Grand Total by the total number of products.

## Product Cost Computation Sheet

Our cost estimate assumes we are producing \_\_\_\_\_ products.

	Quantity	Unit Cost	Total Cost Quantity x Unit Cost
<b>Natural Resources (Land)</b>			
<b>Human Resources (Labor)</b>			
<b>Capital Resources</b>			
<b>OTHER</b>			
		<b>TOTAL</b>	
		Interest Paid on Loan	
		<b>GRAND TOTAL</b>	
		Average Cost to Produce <u>One</u> Unit	





## Questions To Ask Your Students

- What are some of the **costs** of the productive resources we need for our project? *(Answers will vary. You will have to research some of these costs before completing Form 2-6.)*
- What **productive resources** are we using at no cost to us? *(electricity, school rooms, donated materials, water, etc.)*
- Are the resources that are donated still **scarce**? *(Yes. They may be free to the class, but they are not freely available to everyone.)*
- Are there other ways that we can reduce our costs without sacrificing our product quality? *(There probably are. Discuss with students.)*



## Teaching Tips

- In this exercise, you are computing the explicit (accounting) costs of producing the product. Economists usually consider *all* of the opportunity costs of production when calculating costs and profit. For example, if a classroom business earns \$50 by operating a candle business, but could have earned \$75 by operating a popcorn business, the business in a very real sense has not earned a profit. Economists would say the business earned an accounting profit of \$50, but an economic profit of minus \$25! That is, there was an economic loss because the productive resources were not put to their most efficient use.
- It is probably best to list donated resources on the Cost Computation Sheet and to record the cost as zero. Students will see that there are many costs to running a business in the real world that they are avoiding in their classroom business.
- You may be able to reduce costs by renting some equipment instead of buying it. Encourage students to think of creative ways to reduce production costs. This will make your business more efficient and will increase your profits.

## OBJECTIVE 4: Estimate Profits

### Important Concepts

**Profit** – the income an entrepreneur makes by running a successful business; the money left over after subtracting all the costs (expenses) from the sales revenues (income)



### Specific Teaching Activities

1. Explain profit to your students
2. Compute the estimated profits of producing your product. Simply subtract the grand total of costs (from Form 2-6) from the amount of money you will earn from selling all of your products (Form 2-3 Market Survey Summary, questions 2 or 4).
3. Ask students if the expected profits are worth the effort of operating a business. Explain that there are real opportunity costs to operating a business. That is, maybe there are other things the students would rather do! (This is unlikely, but the issue should be raised.) If the profit estimate is too low (or negative), students may choose to produce a different product.



### Questions To Ask Your Students

- How can we compute the estimated **profits**? (*Subtract our estimated costs from our estimated sales revenues.*)
- Is this expected profit enough to encourage us to continue our project? (*In most cases, yes. If not, maybe we shouldn't do a business project! There are other valuable things we could be doing. Or, maybe we should choose another product.*)
- Are we guaranteed to make a profit? (*No, since we cannot be certain of the future. Our costs could rise; consumers may not really buy our product; we might have production difficulties, etc.*)
- Are most businesses successful? (*No. Over half of new companies fail in their first two years of operation.*)

- Why do people start businesses if it is rather **risky**? *(There is still the chance of making a large profit. Also, some people want the satisfaction of being their own boss; entrepreneurs have a significant amount of freedom, control, and independence.)*
- What are some of the characteristics of a successful **entrepreneur**? *(Hard work, honesty, organization, persistence, creativity, willingness to take risks, competitiveness, ability to predict future consumer wants)*
- How old do you have to be to start a business? *(You can start your own business when you are young - even right now!)*
- What kinds of businesses could *you* start next summer? *(lawn mowing, babysitting, pet watching, weeding and watering while neighbors are on vacation, etc.)*



### Teaching Tips

- Some classes continue their businesses in the summer. For example, students may produce products to sell at summer festivals in their communities.



# Chapter 3

## Producing the Product



### Chapter Goals

There are three major goals in this chapter. The first goal is to organize the business. Students choose a form of business ownership and then determine a decision-making structure. In most classroom businesses, there are student managers. Each manager, or officer, is responsible for a specific aspect of the business, such as production, marketing, or accounting.

The second goal is to determine how to finance the business. The class will have to decide how to raise money to purchase productive resources and get their business “off the ground.” Classes usually seek a loan or issue stock. Students may wish to use some of their own savings to get started, or use money from profits earned in previous years.

The final goal in this chapter is to actually produce the product. This, of course, is the aspect of the business project that students usually like the most.

These three goals form the heart of your classroom business project. However, in the excitement of the business activity, don’t forget to teach the important economic concepts that are introduced in the chapter. The students will learn them easily since they relate to actual business activities.

Although marketing activities are not described until the next chapter, it is a good idea to begin marketing activities while the Chapter 3 production activities are taking place. This is especially true if not all of the students are needed for production. Students responsible for product promotion and advertising can decide on marketing strategies and begin the promotion while the other students are engaged in production. This allows selling to begin immediately after production is completed. Careful coordination can allow selling to take place even during production!



## Explanation of the Economic and Business Concepts Taught in Chapter 3

### Types of Business Ownership

There are three basic types of business ownership: sole proprietorships, partnerships, and corporations. A **sole proprietorship** has only one owner. This owner has complete control of the business and reaps all profits and suffers all losses. While it is relatively easy to start a sole proprietorship, a major consideration is that the owner is fully and personally liable for all business debts and actions. It also can be difficult for one individual to raise the financial capital (money) necessary to operate the business.

A **partnership** is a business that has two or more owners. A partnership has several advantages over the sole proprietorship. It is easier to expand the business since the partners usually can raise a larger pool of financial capital. There is also shared risk, so if the business fails, all the partners share in any losses. Partners also bring additional management skills to the business. But there are some disadvantages. Obviously, the profits must be shared among the partners. Liability is still unlimited, so partners are personally liable for all business actions and debts. A major problem is that the partners frequently have difficulty agreeing on decisions, and dissolving a partnership can be difficult.

A **corporation** is a company chartered by the state and owned by stockholders. The stockholders are represented by a board of directors and are liable for company actions and debts only up to the amount each stockholder has invested. This feature is called **limited liability**. An advantage of the corporation is that it is relatively easy to raise financial capital. Transferring ownership is also easy since it frequently means only selling stock. Disadvantages are that corporations are subject to special government regulation and individual stockholders may have a rather limited say in company operations. Another main disadvantage is double taxation. That is, taxes must be paid on the income the corporation earns and again on the income when it is distributed to individuals in the form of **dividends**. **Capital gains**, which occur when a shareholder sells stock for more than its original purchase price, are also taxed.

### Raising Money to Start a Business

There are three basic ways that businesses raise money (**financial capital**) to start or expand business operations: savings, loans, and issuing stock. **Savings** can be personal savings or can be business savings taken from previous profits. Using savings gives the business complete control over how the funds are spent, and there is, of course, no debt to repay. A disadvantage is that it frequently takes a long time to save sufficient funds.



**Loans** represent debt and must be repaid with interest. Businesses borrow money in a variety of ways, often from banks or other lending institutions. Businesses also issue debt instruments, called **bonds**, to borrow money. There is significant flexibility in how to spend borrowed money, and borrowing money instead of waiting to accrue savings allows business projects to start much sooner.

Issuing **stock** is a third way for businesses to raise financial capital. The company issues stock certificates, which represent shares in the company. Each share is issued at an initial market price, but the future price of the shares fluctuates depending on the success of the company. Stocks represent ownership (equity) in the company, and stockholders have voting rights proportional to the amount of stock owned. Stockholders elect a board of directors to oversee company operations and make major decisions. Since stocks are not debt, the stockholders bear the risk of the success or failure of the business. If the business earns profits, stockholders frequently receive dividends, which may grow if the business remains successful. An individual wanting to relinquish ownership must sell the shares. **Stock markets** have evolved to make such transactions easier. The New York Stock Exchange is probably the best known stock market.

## Production and Productivity

Businesses engage in production when they use **productive resources** to produce goods and services. Businesses today usually use some form of mass production in which specific production tasks are divided into smaller tasks on an assembly line. **Unit production**, in which one or a few workers complete an entire product, is still practiced, mainly in home businesses or in businesses that specialize in products demanding a high level of individual craftsmanship.

The important concept of productivity measures production efficiency. **Productivity** measures the amount of goods or services produced (output) relative to the productive resources used (inputs). It is expressed as a ratio.

$$\text{Productivity} = \frac{\text{Output}}{\text{Input}}$$

**Labor productivity** is the type of productivity used most often and is expressed as:

$$\frac{\text{Output}}{\text{Labor Hour}}$$

The **division of labor** greatly increases labor productivity, generally resulting in higher wages for workers. A good historical example is Henry Ford's mass production of the automobile. By using a highly specialized and productive assembly line process, Ford could offer cars to consumers at much lower prices, and yet could pay his workers high wages that were practically unheard of at that time! A major disadvantage of assembly line production is that the work may be monotonous. Also, individual workers do not enjoy the satisfaction of producing a complete product. For these reasons, job satisfaction on an assembly line may not be very high.



Highly specialized production results in greater **interdependence** since workers must depend on other specialized workers to complete other tasks. If one crucial task cannot be completed, the entire production process stops. Any time greater specialization occurs in economics, there is greater interdependence.

Unit production, where individuals produce the entire product, is generally not as efficient as assembly line production, and wages therefore may be less. However, unit production can yield a high degree of job satisfaction, and for that reason may be preferred by certain workers.

Competitive pressures from other businesses provide a strong incentive for businesses to improve labor productivity. This may mean providing workers with more advanced capital. Sometimes it means providing more training for workers. Firms also devise better ways to organize and manage the production process. Perhaps the most fundamental way to improve labor productivity is simply for individuals to work harder. Increased labor productivity means a more efficient use of productive resources and, usually, more profits for the business and higher wages for the employees.





# Goal 1: Organizing the Business

In this section, your class will choose a form of business ownership and then develop a management structure for the business. Classes normally have managers which oversee the various aspects of the business. These managers often choose their workers and direct the business activity in their specific area of responsibility. Sometimes classes take a more democratic approach and make business decisions as a class. This has the advantage of getting more students involved in decisions, but is frequently unwieldy and can take additional class time. A combination of approaches is sometimes used, where the student managers handle day to day business responsibilities themselves, but bring major decisions before the whole class.



## Teaching Objectives for Goal 1: Organizing the Business

### OBJECTIVE 1: Determine the Form of Business Ownership

#### Important Concepts

**Corporation** – a business owned by stockholders

**Partnership** – a business owned by two or more people

**Sole Proprietorship** – a business owned by one person

**Stockholders** – people who are part owners of a corporation



#### Specific Teaching Activities

1. Discuss the three basic types of business ownership in the United States, and the advantages and disadvantages of each.
2. Decide which form of business ownership is appropriate for the class business. Classrooms usually form themselves into corporations.
3. Select a name for your company.





## Questions To Ask Your Students

- What are the three basic types of business ownership in the United States? (*sole proprietorship, partnership, corporation*)
- Which type of organization is usually biggest? (*corporation*)
- Which type of organization is the most common? (*sole proprietorships, which are about 70 percent of all businesses. Partnerships are about 10 percent. Although corporations are about 20 percent of all businesses, they receive approximately 90 percent of the money businesses receive for selling their goods and services.*)



## Teaching Tips

- Don't study stocks in much detail at this point. Students will cover this topic in Goal 2, Financing the Business.

## OBJECTIVE 2: Choose Managers for Your Business

### Important Concepts

**Employee** – a person who works for a business to earn wages

**Employer** – a producer/business that hires and pays workers

**Manager** – a decision-maker in a business

**Marketing** – the activities that are needed to get a product to consumers



## Specific Teaching Activities

1. Ask the class what type of decisions must be made in a classroom business. (What jobs will each student have?, What will be the price of the product?, What will wages be?, Will we advertise?, What will we do with the profits?, etc.)
2. Discuss how your business will make these decisions. Explain that in a business, managers are responsible for important decisions. Identify major areas of responsibility for your business, which could include:
  - President** – oversees the entire business
  - Personnel Manager** – responsible for hiring, firing, and keeping personnel records
  - Production Manager** – responsible for overseeing production
  - Marketing Manager** – responsible for advertising, promoting, and selling the product
  - Finance Manager** – responsible for financial records
3. Choose managers to be responsible for these areas. The class can elect the managers, or you can choose from those who submit applications.



## Questions to Ask Your Students

- What is the difference between an employer and an employee? (*Employers are typically owners who hire employees to work for them.*)
- What is the difference between managers and workers? (*Managers are the primary decision-makers in a business.*)
- Why are managers usually paid more than other workers? (*They have more responsibility, and usually have better education and training.*)



## Teaching Tips

- In many classes, the managers (officers) meet as a “board of directors” and make many of the major decisions. The board sometimes presents major decisions to the whole class for discussion and a vote.
- Be sure your students know if manager jobs will pay more than the other jobs.
- It is a good idea to move immediately to Goal 2, Financing Your Business, since your students will be anxious to get started.

## Goal 2: Financing Your Business

In this section, students will learn the three basic ways to finance a new business: savings, loans, and issuing stock. Students will choose which way to finance their business and then will raise the necessary funds. This is an exciting part of your business project since the class will confront the reality of being responsible for using these funds wisely. This section also offers a valuable opportunity for inviting community members to speak to your classroom.



### Teaching Objectives for Goal 2: Financing Your Business

#### OBJECTIVE 1: Raise Money to Start the Business

##### Important Concepts

**Business Savings** – the part of business profits that is saved

**Dividend** – the part of a corporation's profits that is paid to the stockholders

**Interest** – a fee charged for using borrowed money

**Loan** – borrowed money that must be paid back within a certain time period

**Stock** – a share of ownership in a corporation

**Stockholder** – someone who owns stock in the corporation



##### Specific Teaching Activities

1. Discuss the three basic ways new businesses raise money to get started. Explain that established businesses frequently use business savings gained from past profits to expand operations.
2. Discuss the advantages and disadvantages of personal savings, loans, and stock issues.

3. Choose which method (or combinations of methods) to use to finance the business. Below are some ideas for using each method.

### **Savings**

- ❖ Each student contributes to the savings pool. At the end of the project, the students get their money back.
- ❖ The teacher uses his or her own savings. This is recommended if the teacher is the official “owner” of the business.
- ❖ Use money saved from past business projects. Some teachers take a fixed percentage from current profits to help finance future businesses.

### **Loans**

- ❖ Write a brief “business plan” describing your business ideas and then apply for a loan from a local bank. Invite bank officers to come and explain loans and interest to the class. The business president should sign the loan, possibly with the teacher’s co-signature. Try to get local newspaper coverage of this event. It’s good publicity for both the school and the bank.
- ❖ Borrow money from the teacher, school, or PTA. The loan should be paid back with interest to illustrate real world business situations.

### **Stocks**

- ❖ Write a brief “prospectus” describing your company. This should describe present and future operations, products to be made, potential risks, possibility for future dividends, etc. Prospective stockholders (usually parents, relatives, and neighbors) should examine the prospectus before agreeing to purchase stock.
- ❖ The class may use the stock certificate that is provided or may design an original certificate. The class must determine a per share offering price (typically \$.50 or \$1).
- ❖ If time permits, invite a local investment representative to your class to explain stocks.



## Questions To Ask Students

- What are the three basic ways that businesses raise money? (*savings - either personal or business, loans, and stock issues*)
- How is stock different from a loan? (*Stock represents ownership in the business; loans represent debt and must be repaid with interest.*)
- What is the opportunity cost of using one's personal savings to start a business? (*the interest that one could have earned if it remained in savings, or the gain from any alternative use of the savings*)



## Teaching Tips

- Students may wish to study banking and stocks in more depth. These are good topics for reports, graphing, reading tables, data collection, etc.
- The finance manager and workers under his or her supervision can be responsible for many of the details of raising money to start the business.

# Stock Certificate

Incorporated in the State of \_\_\_\_\_

Certificate Number \_\_\_\_\_

*This certifies that*

\_\_\_\_\_

*is the*

owner of \_\_\_\_\_ shares of common stock of

\_\_\_\_\_

*The initial offering price of this stock is* \_\_\_\_\_ *per share.*

*Issued this* \_\_\_\_\_ *day of* \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
*Treasurer*

\_\_\_\_\_  
*President*

## GOAL 3: PRODUCING THE PRODUCT

Your class is now ready to begin production. This is one of the most exciting parts of your business project, and your students will be eager to begin. In the excitement that accompanies this aspect of your business, remember to emphasize the many important economic and business concepts that are introduced. To keep things manageable, plan carefully and give your students as much responsibility as possible for production tasks. You may want to ask some parents to help. Students responsible for marketing the product (advertising, promotions, etc.) may want to begin their tasks now, especially if not all students are needed for production. See Chapter 4, Goal 1 for marketing ideas.



### Teaching Objectives for Goal 3: Producing the Product

#### OBJECTIVE 1: Choose Students for Specific Jobs

##### Important Concepts

**Human Capital** – the skills and knowledge gained through education, experience, and training

**Job Qualifications** – the skills and abilities (human capital) that will help workers be more productive

**Specialization** – when workers do only one type of job or task, usually the one at which they are most proficient



##### Specific Teaching Activities

1. Discuss the different jobs that are necessary to produce your product. List them on the board, or post the job descriptions using Form 3-1.
2. Discuss the different job qualifications and determine wage rates for the different business jobs. Many teachers give the same wage for all jobs. However, you may want to pay higher wages for jobs that require more responsibility (managers) or demand a higher skill level. This is more realistic and illustrates the value of acquiring

human capital. It also may be necessary to pay higher wage rates for jobs that students do not particularly want.

3. Choose students for the different jobs. Students should fill out job application forms (Form 3-2), and submit them to the teacher or the Personnel Manager. Managers may wish to conduct job interviews.



### Questions To Ask Students

- Why do workers **specialize** in different tasks? (*People have different skills and are better at different jobs.*)
- How do workers acquire the special skills and knowledge to make them better workers? (*through education and training*)
- What do we call the special skills and knowledge that workers possess? (***human capital***)
- Is it fair that certain jobs earn more than others? (*Yes, because it typically takes time and effort to acquire the knowledge and special skills that make someone a more productive and valuable worker.*)



### Teaching Tips

- This is an opportunity to teach a **scarcity** principle — many students wanting one or a few of the preferred jobs. Because scarcity exists in this situation, choices must be made to allocate the scarce jobs. In this case, the students who are the best qualified for the jobs usually get them.
- It is very interesting and worthwhile to ask a personnel director from a local business to speak to the class about job qualifications and other personnel matters. Ask this person to conduct a mock interview.
- It is important that all students remain busy. Encourage or require students to help with other jobs if their particular job is completed.



## Job Description



Job Title \_\_\_\_\_

### Job Duties

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

Wage/Salary \_\_\_\_\_

### Necessary Skills and Qualifications

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Submit Job Applications to \_\_\_\_\_

Application Deadline \_\_\_\_\_

# Job Application Form



(Complete this form carefully and neatly.)

Name \_\_\_\_\_ Date \_\_\_\_\_

Job Title You Are Applying For \_\_\_\_\_

Salary/Wage \_\_\_\_\_

List your qualifications for this job

---

---

---

---

Why do you want this job?

---

---

---

---

---

---

List two other jobs you would accept if you do not get this job.

1. \_\_\_\_\_

2. \_\_\_\_\_

## OBJECTIVE 2: Produce the Product

### Important Concepts

**Assembly Line** – assembling a product in steps, with each worker doing only one or a few tasks.

**Division of Labor** – breaking up a job into smaller tasks, as on an assembly line

**Interdependence** – depending on other people to accomplish a task or produce a product

**Labor Productivity** – the output (products) produced per hour of work

**Production** – using the productive resources to make or provide goods and services

**Productivity** – the output (products) produced per unit of input (productive resources)

**Quality Control** – checking the quality of the products that are produced



### Specific Teaching Activities

1. Discuss different ways to organize production. Analyze why **division of labor** is more efficient than producing each item individually. Discuss some possible advantages of unit production versus assembly line production.
2. Organize production. If you have a production manager, this person should take the lead. Set a day and time that the product will be produced, and tell students to bring necessary supplies and to dress appropriately. Inform community/parent volunteers about important details.
3. Produce your product.
4. Analyze how labor productivity can be improved. Make these improvements during any subsequent rounds of production.



## Questions To Ask Students

- Why is **division of labor** more efficient than **unit production**? *(Each worker can use one kind of capital and specialize in one or a few small tasks.)*
- What is **labor productivity**? *(the number of products that are produced per hour of work)* What was our labor productivity? *(Divide the number of products produced by the total number of hours worked.)*
- What are ways to increase **labor productivity**? *(train workers better, organize production more efficiently, use better capital, work harder)*
- When workers divide their labor/specialize on an assembly line, does this result in more or less **interdependence**? *(More, since workers must depend on other workers to complete other tasks.)*
- What are some advantages and disadvantages of **unit production**? *(Advantages: workers get the satisfaction of producing a complete product. Disadvantages: workers don't produce as many products per hour, so they may receive lower wages compared to assembly line workers)*
- What are some advantages and disadvantages of assembly line production? *(Advantages: Workers are very productive and usually receive higher wages. Disadvantages: Work can be repetitive and boring, without the satisfaction of producing a complete product.)*



## Teaching Tips

- Make sure there is a quality control person to ensure product quality.
- Give as much responsibility as possible to students.

# Chapter 4

## Marketing and Selling the Product

### Chapter Goals

This chapter has two major goals. The first goal deals with marketing the product. The second and closely related goal concerns the actual selling of the product. Both of these goals are an important part of any classroom business project.

Marketing involves all of the activities, including advertising, which help get the product to the consumers. In a classroom business, marketing activities often begin during production. By doing so, students can begin selling their finished products immediately. Also, if there are not enough production jobs for all students, the marketing activities will keep many students busy.

Selling the product and receiving the fruits of one's labors is one of the most enjoyable aspects of a classroom business. While this seems a rather straightforward part of the business, this section will help you avoid some pitfalls which can put a damper on your business project.



### Explanation of the Economic and Business Concepts Taught in Chapter 4

Marketing is an indispensable aspect of any business. **Marketing** involves all of the activities needed to get the product to the consumer. These activities include advertising, promotion, pricing strategies, store atmosphere and location, and packaging. Marketing is important to a business because no matter how good a product is, if consumers do not know about it, or if it is unavailable to consumers, then the business will suffer. Marketing is also important for consumers. Without effective marketing, consumers would have less information about products and would therefore have reduced access to them.

The purpose of **advertising** is to provide information about products to consumers in an effort to increase **demand**. The most fundamental reason that advertising exists is because information, like goods, services, and productive resources, is **scarce**. That is, it is not *freely* available at a zero price. Consumers need and want information about products so that they can make wiser and less costly purchasing decisions. When this information is provided honestly through advertising, businesses and consumers both benefit.

Unfortunately, some advertisements are not completely truthful. To protect consumers, the government has established regulations which prohibit deceptive advertising practices. Business groups and professional organizations also have self-imposed advertising standards. It is not unusual for competing firms to take legal action against one another if they think a competitor's advertisement is false or misleading.

Businesses use various advertising techniques. The simplest advertisements provide basic, factual information about products and prices. More persuasive advertising techniques include testimonials by experts, association with celebrities and attractive people, conformity ("join the crowd") appeals, intellectual appeals using facts and figures, and suggestions that using a product will bring certain desirable results.



Businesses almost always face **competition**, and therefore must be careful to sell at competitive prices. The price that "clears the market," i.e., that matches what businesses want to sell and what consumers want to buy, is the **market price**. If the price a business sets for a product is above a competitive market price, then there will be a **surplus** of that product. In order to sell all of the products, the business must lower the price. If the initial price a business charges is below the competitive market price, then there will be a **shortage**. In this situation, a business could raise the price and still sell all of the products, resulting in more revenues and usually more profits.



The actual selling of a product by salespeople requires special skills. **Salespeople** are on the "front lines" of a business. They must know the product's characteristics – both its strengths and weaknesses, and must learn how to make a sales presentation that introduces their product to consumers in a truthful, yet positive and persuasive, manner. It is important to remember that when people **exchange (trade)** goods and services, both parties expect to benefit. There is no "winner" or "loser." This is also why it is common for *both* the buyer and the seller to say, "Thank you," after a sale is made!

## GOAL 1: Marketing the Product

While there are various aspects to marketing, your classroom business will probably focus on advertising. Students have so much familiarity with this topic that they will respond eagerly to the challenge of getting information about their product to potential customers.

Students also should realize that they can increase sales by presenting their product in an appealing manner. Students should give their store an appealing "atmosphere," and also should package their product in a visually pleasing manner.



## Teaching Objectives for Goal 1: Marketing the Product

### OBJECTIVE 1: Advertise Your Product

#### Important Concepts

**Advertising** – providing information to consumers in an effort to increase demand for a product

**Demand** – the number of products consumers are willing and able to buy at different prices

**Specialization** – all the activities needed to get a product to consumers



#### Specific Teaching Activities

1. Designate a marketing committee (chaired by the marketing manager) to decide what kinds of advertising are needed. Possibilities include posters and signs, flyers, announcements over the intercom, local newspapers, television, and radio. The committee can present advertising proposals to the board of directors, especially proposals involving considerable expense.
2. Assign different advertising tasks and responsibilities to committee members or other student workers.



#### Questions To Ask Your Students

- What is marketing? (*All activities that businesses do to get their product to the consumer*) What are types of marketing activities? (*advertising, packaging, promotion, etc.*)
- Why do businesses advertise? (*to provide information to consumers to encourage them to buy products*)
- How does advertising help producers and consumers? (*It helps producers by increasing the demand for their products. It helps consumers by giving them more information about products.*)

- What are some advertising techniques that businesses use to persuade customers to buy their products? (*testimonials, association with celebrities and physically attractive people, “join the crowd” techniques, appeals to intellectual “facts and figures,” and suggestions that using a product will bring about certain desirable results*)



### Teaching Tips

- The whole class could study advertising. Identify ads from magazines or newspapers that illustrate various persuasive techniques. Also, identify less persuasive ads that provide only basic product or pricing information.

## OBJECTIVE 2: Determine How to Present Your Product to Customers

### Important Concepts

**Packaging** – how a product is wrapped or presented for selling

**Promotions** – activities designed to increase customer interest in the product



### Specific Teaching Activities

1. Identify ways to package your product to make it more appealing to customers. Assign students from production or marketing to package your products.
2. Identify ways to make your sales tables or “store” more attractive to customers. This could involve creating decorations, displays, colorful signs, etc.
3. Identify other promotional activities which could increase sales. For example, some classes set up gift-wrapping services at their store. Others have costumed mascots which carry signs advertising the products. Some businesses offer discounts for early orders. There are many creative possibilities for your business.





## Questions To Ask Your Students

- Why do businesses create attractive **packaging** for their products? *(to make their products more appealing to consumers)*
- Why do businesses have special **promotions** for their products? *(to increase consumer awareness of their products)*



## Teaching Tips

- Be sure to encourage student creativity in all these activities. Students with artistic ability will excel in many of them.



## GOAL 2: SELLING YOUR PRODUCT

The actual selling of your product is usually the highlight of your classroom business. Students finally will see the fruits of their labors as satisfied customers buy their products. However, there are some important things to remember to make your “Sale Day” run smoothly.



### Teaching Objectives for Goal 2: Selling Your Product

#### OBJECTIVE 1: Determine the Product Price

##### Important Concepts

**Market Price** – the price that clears the market for goods or services; the price that matches what sellers want to sell and buyers want to buy

**Sale** – reducing the price of a product to increase sales

**Shortage** – the lack of products available to some buyers because the price is set below the true market price

**Surplus** – the products that are not sold because the price is set above the true market price



##### Specific Teaching Activities

1. Using your **market survey** and your cost computations as a guide, determine a final price for your products. Typically, a business chooses a price that will yield the most profit.
2. Determine a pricing strategy to use during the selling period. You must be prepared to lower your price if there appears to be a **surplus**. You may wish to raise prices if the demand is more than you expected; however, if your prices were advertised beforehand, this would not be feasible.



## Questions To Ask Students

- What is the result if the price we set for our product is above a true market price? (*We have a surplus.*) How do we eliminate the surplus? (*Have a sale and lower the price.*)
- What is the result if the price we set is actually below the true market price? (*We have a shortage.*) How do we eliminate the shortage? (*Possibly raise our prices.*)



## Teaching Tips

- It is not difficult to lower the price during a selling period. However, customers are likely to get upset if you raise prices during the selling period. Also, previously advertised prices cannot be raised. Since there is usually a significant demand for products in most student businesses, it is probably best to err on the high side, and then cut prices if customers are not buying enough.

## OBJECTIVE 2: Sell the Products

### Important Concepts

**Salesperson** – a person responsible for selling products to consumers

**Benefits of Exchange/Trade** – Exchange benefits *both* parties, not just the buyer or the seller.



## Specific Teaching Activities

1. Decide exactly when your products will be sold. If you have several selling periods, be sure to hold enough products off the market so that later customers will have something to buy. This is especially crucial if the different selling periods take place during the same day.
2. Choose the salespeople. In a bazaar situation, where the students can shop at other booths, have different shifts for salespersons so everyone gets a chance to shop.
3. Teach selling skills. (See Questions to Ask Students below.)

4. Develop a **sales plan**. Salespeople should practice specific techniques before they sell the product. Use the Sales Planning Sheet (Form 4-1) to help.
5. To help with later profit calculations, keep a record of the type and number of products sold. Use the Sales Revenues Worksheet (Form 5-1) to help you.



### Questions To Ask Students

- What are some of the selling skills salespeople should have? *(To be effective, salespeople should know their product well. They should also know how to attract the customer's attention, make a truthful yet persuasive sales presentation, and ask for a customer's decision. Salespeople should always be polite with customers.)*
- Why is it important to learn selling skills? *(In a competitive market, businesses must make customers aware of their product and convince them to buy it. Otherwise, customers may buy products from other businesses.)*
- Why is it common for the buyer and the seller to *both* say, "Thank you," after a sale is made? *(This is because both buyer and seller benefit from the exchange.)*



### Teaching Tips

- Invite a professional salesperson to explain sales to the class. Have the salesperson demonstrate an effective sales presentation.



## Sales Planning Sheet



Use this form to prepare for selling your product.

1. What are some strengths and weaknesses of our product?

### Strengths

### Weaknesses

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2. What can we do or say to get the customer's attention?

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3. What useful information about our product can we share with customers?

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4. What will we say to customers to get them to buy our product i.e. to "close" our sale?

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# Chapter 5

## Closing the Business

### Chapter Goals

In this chapter, the students close their business. The first goal of the chapter deals with the concept of profit. Students compute their profits and decide how the profits will be used. The students use profit calculations to help determine whether or not the business has been successful. The class then compiles a final report and makes recommendations for next year's class.

A second goal of this chapter is to give teachers suggestions and ideas for making improvements in future business projects.

### Explanation of the Economic and Business Concepts in Chapter 5

#### What Is Profit?

Profit is an important and often misunderstood concept in economics. **Profit** is the amount remaining after the costs of production are subtracted from sales revenues. **Sales revenues** are simply the proceeds from sales - the number of products sold times their price. The concept of cost, however, can have different connotations. Economists define costs as all the costs of production, including the **opportunity costs** of using a firm's productive resources for their best alternative use. When costs are defined in this inclusive way, profit is referred to as **economic profit**.

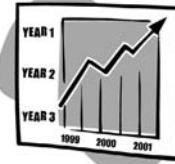
However, businesses normally use only the explicit costs of production (labor, materials, rent, interest, etc.) when computing profit. The opportunity costs of productive resources are typically not included in calculations. This more narrow definition of profit is called **accounting profit**.

However, to make informed production decisions, businesses must take into account all the opportunity costs of their productive resources.



## The Role of Profit in a Market Economy

Profit performs several crucial functions in a market economy. First, profit is an **incentive**. Without the possibility of profit, entrepreneurs would not risk investing their financial resources to produce goods and services for consumers. Second, profit is a **signal** that communicates what goods and services consumers want most. For example, if computer producers are currently earning high profits, this shows that there is a high demand for computers relative to their supply. Producers and entrepreneurs anxious to make profits will use their productive resources to supply more computers, thus meeting the high demand. Third, profit is a **reward**. Profit rewards those risk-taking entrepreneurs who perceive consumer wants and who satisfy those wants efficiently.



## Distributing Profits

The owners of a business decide how to use any profits. Corporations, which are owned by stockholders, frequently distribute profits to the stockholders in the form of **dividends**. Sometimes the board of directors of a corporation decides not to distribute dividends. Instead, the board may decide to invest profits to expand production. In this situation, profits serve as the source of business savings and investment.

Producers (businesses) as well as consumers confront the concepts of **scarcity** and **opportunity cost** when making decisions. Business savings are limited, but the possible uses of those savings are virtually unlimited. A business that decides to use its scarce business savings to finance the production of a certain product must forego using these savings in some highly valued alternative way. Because of scarcity, every decision has an opportunity cost.



# GOAL 1: MAKING DECISIONS ABOUT PROFIT

In this section, the students close their business. First, they compute how much profit their business made. Then, they decide what to do with their profits. Finally, the students determine whether or not the business was really worth their time and effort. Should next year's class undertake the project? The students prepare a final report which makes recommendations and suggestions for next year's class.



## Teaching Objectives for Goal 1: Making Decisions About Profit

### OBJECTIVE 1: Compute Profits

#### Important Concepts

**Costs** – expenses a business pays to produce a product

**Interest** – the price that is charged for using borrowed money

**Profit** – the amount left over after subtracting costs from sales revenues

**Sales Revenues** – the money a business makes from selling a product



#### Specific Teaching Activities

1. Teach the concept of **profit**. Point out that any money invested by **stockholders** is not part of the profit, but should the corporation go out of business, these monies will be paid back to shareholders, along with any **dividends**, after all expenses have been paid out.
2. Discuss how to compute profits. Use the Sales Revenues Worksheet (Form 5-1) and the Profit Worksheet (Form 5-2) to help you. You will need to complete a revised Product Cost Computation Sheet (Form 2-6) from Chapter 2 in these computations. Compare your actual profit to the profit estimate you made in Chapter 2 (Objective 4). Was there a difference? Discuss why.





## Questions to Ask Students

- What is **profit**? *(the amount remaining after subtracting costs from revenues)*
- Why is profit important in our economy? *(Profit performs three important functions: It is an **incentive** to producers, it is a **signal** identifying the goods and services that consumers want most, and it is a **reward** for successfully satisfying the consumer.)*
- If a business consistently makes high profits, what does this show? *(It shows that the business does a good job providing what consumers want, and that the business likely produces that product efficiently i.e., with relatively low costs.)*



## Teaching Tips

- There is sometimes competition among classes or groups of students to see which business can earn the most profit. You probably want to discourage this. One reason is that donated materials make it very difficult to compare costs. For example, a class may make the most profit only because raw materials and outside expertise were donated, not because the class was especially skillful with their business.
- To add a dose of realism, some teachers require the business to pay a **corporate income tax**. The tax is usually paid to the school.

## Sales Revenues Worksheet



Item	Price	Quantity Sold	Sales Revenues
Sales Revenues from all items			

## Profit Worksheet



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Total Sales Revenue (from Form 5-1) \_\_\_\_\_

**minus** Total Costs (use Form 2-6) \_\_\_\_\_

**BEFORE TAX PROFIT** \_\_\_\_\_

Tax on Profits (if any) \_\_\_\_\_

**AFTER TAX PROFIT** \_\_\_\_\_

## OBJECTIVE 2: Decide How to Use Profits

### Important Concepts

**Choice** – deciding among various alternatives

**Dividends** – the part of a corporation's profits that is paid to stockholders

**Opportunity Cost** – the most valuable alternative you give up when you make a choice

**Scarcity** – when people's wants are greater than the resources for satisfying those wants



### Specific Teaching Activities

1. Use the Balance Sheet (Form 5-3) to help determine how to distribute money that the business now has on hand. This money includes any profits plus the original money used to start the business (from stockholders, bank loans, or personal savings). If your business is owned by stockholders, first decide what dividends will be distributed to stockholders. Give stockholders back their original investment plus the dividend payment. (See first Teaching Tip.) Repay any bank loans, including interest.
2. Completing the balance sheet requires careful decision-making. Remind students that since our profits are limited, they will have to choose among several alternative uses. Two possible alternatives are gifts to charity and setting aside savings to start next year's business. (See second Teaching Tip.) This is an excellent opportunity to use the decision-making model from Chapter 2. Remind students that there is an **opportunity cost** to their final decision.



### Questions to Ask Your Students

- What are **dividends**? (*the portion of profits distributed to stockholders that is not repayment of the original amount invested*)
- What **scarcity** problem do we have regarding use of our profits? (*We have a limited amount of profits, but many possible uses for them.*)
- Because of this scarcity problem, what must we do? (*We must choose among various ways to use the profits.*)

- What is the **opportunity cost** of our choice? (*It is the best alternative way to use the profits that we did not choose.*)



### Teaching Tips

- To avoid having to distribute all profits to stockholders, give a maximum five percent or ten percent per share dividend. Keep the rest for the class. To be fair, when you issue the stock you must tell investors that there will be a maximum return on their investment. This is still a good deal. A five percent return from a month long investment translates into 60 percent per year!
- You may want to require the class to save a certain percentage of the profits to help finance next year's business project. This encourages the class to help next year's students, and illustrates how profits are the source of business savings to finance future business operations. Some teachers also encourage or require the class to give a percentage of the profits to a charity or to the school.

# Balance Sheet


**TOTAL CASH ON HAND**

(from profits, stock sales, loans, etc.)

\_\_\_\_\_

**Distributions**

Paid to Stockholders (including dividends)

\_\_\_\_\_

Paid to Bank (including interest)

\_\_\_\_\_

Saved for Next Year's Business

\_\_\_\_\_

Give to School or Charity

\_\_\_\_\_

Other Distributions

\_\_\_\_\_

**TOTAL DISTRIBUTIONS**

\_\_\_\_\_

TO COMPUTE AMOUNT LEFT FOR CLASS TO USE
**TOTAL CASH ON HAND**

\_\_\_\_\_

minus

**TOTAL DISTRIBUTIONS**

\_\_\_\_\_

equals

**CASH FOR CLASS TO USE**

\_\_\_\_\_

## OBJECTIVE 3: Make a Final Report

### Important Concepts

**Choice** – deciding among various alternatives

**Opportunity Cost** – the most valuable alternative you give up when you make a choice

**Scarcity** – When people's wants are greater than the resources for satisfying those wants



### Specific Teaching Activities

- Discuss whether or not the business project was worth doing. (See Questions to Ask Students below.)
- Prepare a report for next year's class. This makes an excellent language arts project. Let each student provide some input to the report, which could include the following information:
  - ✓ *A summary of the business project describing key features such as market surveys, business organization, raising funds, production and marketing strategies*
  - ✓ *Photographs of business activities*
  - ✓ *Copies of all the different forms and financial records*
  - ✓ *Things to do differently next year*
  - ✓ *Amount of profits left to help start next year's business*
  - ✓ *Any publicity your business received*
  - ✓ *Final recommendations*





## Questions To Ask Students

- There were many things we could have done with our time and productive resources besides a business project. What are some of these things? *(Answers will vary. Possible examples include: a science project, more worksheets, a play, reading more books, etc.)*
- Why didn't we do all these things? *(Our time and productive resources were scarce.)*
- Because of **scarcity**, what did we have to do? *(make a choice)*
- What was the **opportunity cost** of our choice to use our productive resources to do a business project? *(what we would have gained/learned by doing one of the other activities)*
- Was the business project worth the opportunity cost? What do you recommend for next year's class? *(Answers will vary, but most students will think that the business project was worth the opportunity cost. Use this question to introduce the idea of compiling a final report with recommendations for next year's class.)*
- What could we have done to increase **profits**? *(There are many possible answers, but four in particular should be discussed:*
  1. *Should we have produced something else?*
  2. *Could we have marketed our product better to get more customers?*
  3. *Could we have lowered our costs of production?*
  4. *Did we charge the right price?*



## Teaching Tips

- In the final report, encourage students to use economics and business vocabulary words they have learned.
- This final report can easily be made into an "Annual Report" for stockholders.
- Consider submitting your annual report to your local Chamber of Commerce. Ask if your class can become a "junior member."



## GOAL 2: PRACTICAL CONSIDERATIONS

The format of this section is different from the format of the preceding ones. It lists practical suggestions and ideas for improving future business projects.

1. While the project is still fresh in your mind, make a list of things that you would do differently. Also list other creative ideas that you could do next year. Brainstorm these ideas with your students.
2. Think of other teachers to involve next year. Show them your class's final report. Explain how the business project touched all aspects of the curriculum. Show the report to the principal and to other community members who helped you.
3. Consider expanding your project into a school fair or bazaar. Each classroom can form a business and set up a store on the day of the fair.
4. Get some media coverage! Local newspapers and TV stations are often very interested in these types of projects.
5. Ask parents what they thought about the project. Send a simple evaluation form home with your students. Ask parents for suggestions for improving the project.
6. Try to present your project to other teachers in workshops or in-service settings. There are frequently in-service or workshop opportunities for these types of presentations. This is one reason to take photos of your project activities.
7. To increase your understanding of economics, attend an economics education workshop for teachers. Workshops are offered at universities that are a part of the National Council on Economic Education's network of university Centers for Economic Education. See [www.ncee.net](http://www.ncee.net). For training workshops in Indiana, contact the Indiana Council for Economic Education (ICEE - [www.econed-in.org](http://www.econed-in.org)).
8. Monies are currently available on a competitive basis through the Indiana Department of Education for Indiana public school teachers who wish to initiate or expand economic education programs. For more information about the Economics Education Grant program, go to the Indiana Department of Education web site (<http://www.doe.state.in.us/opd/econ/grants.htm>). Information about the grants can also be accessed on the Indiana Council for Economic Education website ([www.econed-in.org](http://www.econed-in.org)).



# Appendix A

## Tests on Economic and Business Concepts

**Test Levels:** There are three tests in Appendix A. The tests are found in order of difficulty. Test I is targeted approximately for grades 3-4, Test II for grades 5-6, and Test III for grades 7-8. There is only one test form for each level. Teachers should use the same test for the pre-test and the post-test.

**Test Anxiety:** Remember that when your students take the pre-test, some may experience a certain amount of anxiety because they probably won't know the answers to many questions. Reassure students before they take the pre-test that you *expect* them to have some difficulty because you haven't taught them these concepts yet! Encourage students to relax and just do the best they can.

# Understanding Economics and Entrepreneurship - I

Name \_\_\_\_\_ Date \_\_\_\_\_

For questions 1-10, choose one word from the box below that BEST fits the sentence. You will not use all the words, so don't worry if you have words left over.

a. exporter	e. consumer	i. service
b. capital resource	f. natural resource	j. price
c. opportunity cost	g. entrepreneur	k. exchange
d. interdependence	h. specialization	l. profit

1. When Anthony buys a valentine for someone special, he is a (an) \_\_\_\_\_.
2. When you buy a good or service, you pay a (an) \_\_\_\_\_ for that good or service.
3. Businesses produce different things. Some businesses produce candy, some pizza, and some cookies. This is an example of \_\_\_\_\_.
4. When a business produces a product, the workers have special kinds of jobs. This specialization always results in \_\_\_\_\_.
5. You are using leaves and other items to produce an art project to sell to your neighbors. The leaves are a (an) \_\_\_\_\_.
6. In your art project in 5. above, you will be using a pair of scissors. The scissors are a (an) \_\_\_\_\_.
7. Joe trades his soccer ball for Willie's baseball bat. This is called \_\_\_\_\_.
8. You think there is a need in your community for a computer repair business. If you take the risk to start that business, you are a (an) \_\_\_\_\_.
9. When you go to the dentist to have your teeth cleaned, the dentist is providing a (an) \_\_\_\_\_.

10. Hector wants to spend his birthday money either on some candy or on a book. If he chooses the candy, the book is his \_\_\_\_\_.
11. Jennifer received a \$10 gift certificate to use at her favorite store. She wants to use it to get lots of things, but she can't get all the things she wants! This is an example of:
- price
  - scarcity
  - interdependence
  - consumer supply
12. Which of the following is a good?
- toy
  - haircut
  - walking the dog
  - cleaning the house
13. Students are making necklaces for their classroom jewelry business. Latisha cuts the string, Henry strings the beads, and Julie puts on the hook. The different jobs the students have is an example of:
- scarcity.
  - specialization.
  - opportunity cost.
  - capital investment.
14. Mr. Jones is using productive resources to build a house. Label these productive resources below as a human resource, a natural resource, or a capital resource.
- The land on which the house is built \_\_\_\_\_
- Hammer \_\_\_\_\_
- Using someone to draw a plan for the kitchen \_\_\_\_\_
15. When a person buys something from a store, which is true?
- The person gains, but the store loses.
  - The store gains, but the person loses.
  - Both the person and the store gain.
  - Both the person and the store lose.
16. Last Saturday, Amber was a very busy person. In the blanks, write whether she was acting as a producer or a consumer.
- When Amber made birthday cards to sell to her friends, she was a \_\_\_\_\_.
- When Amber bought a pair of socks, she was a \_\_\_\_\_.

17. The students in a class want to produce magnets, cookies, and greeting cards. Their teacher tells them they don't have enough time to produce all of them. They must make a choice! The students have a \_\_\_\_\_ problem.
- a. profit
  - b. scarcity
  - c. natural resource
  - d. capital resource
18. Students in a third grade class want to operate a classroom business. They decide to produce greeting cards. Their second choice is to make chocolate cookies. Making chocolate cookies is their: \_\_\_\_\_.
19. Since the third grade class is going to sell greeting cards, which of the following should the class consider?
- a. What types of cards will people buy?
  - b. What price should we charge?
  - c. What productive resources do we need to produce these cards?
  - d. All of the above
20. Suppose your classroom decides to operate a classroom business. For this business to be successful, it must:
- a. produce using only capital resources.
  - b. produce using only human resources.
  - c. produce only goods and not services.
  - d. produce goods or services that consumers want to buy.

## Answers for Test I

1. e. consumer
2. j. price
3. h. specialization
4. d. interdependence
5. f. natural resource
6. b. capital resource
7. k. exchange
8. g. entrepreneur
9. i. service
10. opportunity cost
11. b. scarcity
12. a. toy
13. b. specialization
14. natural resource, capital resource, human resource
15. c. Both the person and the store gain.
16. producer; consumer
17. b. scarcity
18. opportunity cost
19. d. All of the above
20. d. produce goods or services that consumers want to buy.

# Understanding Economics and Entrepreneurship – II

Name \_\_\_\_\_

Date \_\_\_\_\_

For questions 1-8, choose one word from the box below that best fits the sentence. You will not use all the words, so don't worry if you have words left over.

a. productivity	e. scarcity	i. benefits	m. risk
b. market	f. specialization	j. demand	
c. market survey	g. natural resource	k. capital resource	
d. profit	h. tax revenue	l. corporation	

1. A \_\_\_\_\_ is anywhere people buy and sell goods and services.
2. A garbage truck is an example of a \_\_\_\_\_.
3. The output of production divided by the inputs used in production is called \_\_\_\_\_.
4. When a person makes an economic decision as a producer or consumer, he or she should compare both the costs and the \_\_\_\_\_.
5. An entrepreneur is someone who is willing to take a \_\_\_\_\_ to start or expand a business.
6. The amount left over after a business subtracts all costs from total sales revenues is called \_\_\_\_\_.
7. Businesses can get information about what customers want and are willing to pay by using a \_\_\_\_\_.
8. A \_\_\_\_\_ is a type of business organization.

*Questions 9-22 are multiple choice questions. Circle the correct answer.*

9. Which of the following is not a productive resource?
  - a. water
  - b. money
  - c. teacher
  - d. hammer
10. An entrepreneur must pay to get productive resources because they are:
  - a. scarce
  - b. expensive
  - c. in great supply
  - d. likely to be taxed
11. To be successful, a business must:
  - a. produce goods instead of services.
  - b. produce goods or services with a high price.
  - c. produce goods or services that consumers want.
  - d. produce goods or services using mostly capital resources.
12. Alberto bought a soccer ball for \$20 from a local soccer store. As a result of this purchase,
  - a. Alberto gained, but the store lost.
  - b. both Alberto and the store lost.
  - c. both Alberto and the store gained.
  - d. the store gained, but Alberto lost.
13. Alicia was given a \$15 gift certificate to use at her favorite store. She wants to choose lot of things that cost \$15, but she can't have all of them! Alicia is facing a problem of:
  - a. saving
  - b. supply
  - c. scarcity
  - d. demand
14. In Question 13 above, suppose Alicia finally decided to use her \$15 gift certificate on either a teddy bear or a t-shirt. If she chooses the teddy bear, what is her opportunity cost?
  - a. \$15
  - b. \$30
  - c. the t-shirt
  - d. the teddy bear and the t-shirt



15. Robert and Erica want to produce candles, birdhouses, and refrigerator magnets. They only have enough time to produce one of them. Producing candles is their first choice, birdhouses their second choice, and magnets their third choice. They choose to produce candles. What is their opportunity cost?
- producing the candles
  - producing the magnets
  - producing the birdhouses
  - producing the birdhouses and the magnets.
16. What tells us how scarce a good or service is compared to other goods and services?
- price
  - profit
  - supply
  - opportunity cost
17. In markets, the price of a good or service is determined by:
- the supply of the good or service.
  - the demand for the good or service.
  - the supply and demand for the good or service.
  - the cost of capital to produce the good or service.
18. If the supply of wheat increases a lot and nothing else changes, we can expect the price of wheat to:
- fall
  - rise
  - rise, then fall
  - stay the same
19. Sam, Tony, and Willie run a cookie business. In the business, Sam mixes the dough, Tony cuts the cookies, and Willie bakes them. The different jobs the boys have is an example of:
- marketing
  - specialization
  - marginal cost
  - economic exchange
20. In the cookie business in question 19 above, Sam, Tony, and Willie have different jobs because they want to:
- learn different jobs.
  - make more cookies.
  - increase the price of their cookies.
  - increase the demand for their cookies.

21. LaTisha gets a \$500 loan from the bank to start a business. She must pay back the \$500 bank loan and also pay the bank \_\_\_\_\_
- a. interest.
  - b. dividends.
  - c. excess profits.
  - d. production costs.
22. Joe and Carlos pass out flyers to advertise their lawn mowing business. By advertising, they are hoping to increase the \_\_\_\_\_ for their mowing services.
- a. supply
  - b. demand
  - c. capital costs
  - d. opportunity costs

*For questions 23 and 24, fill in the blanks with the correct answers.*

23. Kelli has a cookie business. The table below shows the sales revenues and the “out of pocket” costs of her cookie business – wages, ingredients, and rent. What is Kelli’s profit?

Sales revenues	\$180
Wages	\$60
Cost of cookie ingredients	\$45
Rent	\$15

Kelli’s profit: \_\_\_\_\_

24. What are the three basic ways that entrepreneurs raise money to start a business?

\_\_\_\_\_

## Answers for Test II

1. b. market
2. k. capital resource
3. a. productivity
4. i. benefits
5. m. risk
6. d. profit
7. c. market survey
8. l. corporation
9. b. money
10. a. scarce
11. c. produce goods or services that consumers want
12. c. both Alberto and the store gained.
13. c. scarcity
14. c. the t-shirt
15. c. producing the birdhouses
16. a. price
17. c. the supply and demand for the good or service.
18. a. fall
19. b. specialization
20. b. make more cookies
21. a. interest
22. b. demand
23. \$60
24. loans (debt, borrowing); issue stock (equity); using their own savings

# Understanding Economics and Entrepreneurship – III

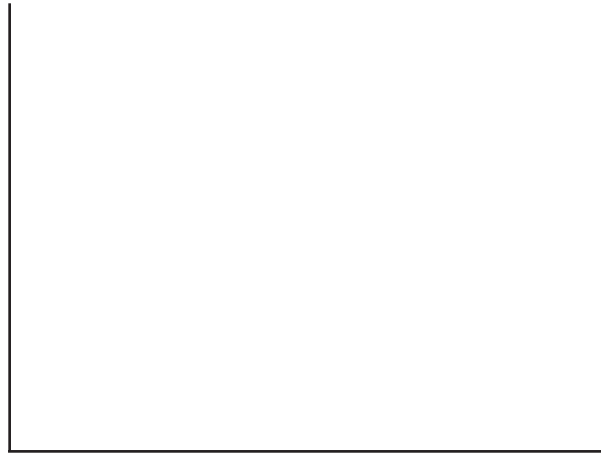
Name \_\_\_\_\_

Date \_\_\_\_\_

1. Students at Hawthorne Middle School want to start a classroom business and sell to their classmates. Their teacher is discussing questions to think about before they start the business. Which of the following is a question they should consider?
  - a. What type of product would middle school students like to buy?
  - b. Can we produce it?
  - c. Can we make a profit?
  - d. Will the product be affordable for our customers?
  - e. All these questions should be considered.
2. In the Hawthorne Middle School business, if the teacher controls the resources and decides what product to produce, how many to produce, and what price to charge, what type of economy would this represent?
  - a. mixed
  - b. market
  - c. command
  - d. traditional
3. What are the three basic kinds of productive resources?
  - a. human, money, capital
  - b. financial, natural, capital
  - c. human, natural, capital
  - d. human, financial, capital
4. Anytime a decision is made, there are alternatives that are not chosen. The best alternative not chosen is called the \_\_\_\_\_.
5. Revenues are:
  - a. the money earned by selling products.
  - b. the prices paid for productive resources.
  - c. the money left over after all costs of production have been paid.
  - d. the number of products that consumers will buy at various prices.

6. Using the data below, graph the demand curve for pretzels.

Price	Quantity of Pretzels Sold
\$1.00	20
\$.75	40
\$.50	60
\$.25	80



7. Profits are:
- a sure result of owning a business.
  - equal to product price times quantity.
  - what businesses pay for productive resources.
  - calculated by subtracting all costs from sales revenues.
8. The students at Hawthorne Middle School think they will open a pretzel business, but first they want to estimate the cost of the productive resources and calculate a planned profit. Below are the prices of the productive resources the students think they will need. If these are the only productive resources, what is the profit from selling each pretzel, assuming the price of a pretzel is \$1.00?
- Chocolate for 10 pretzels - \$1.00  
10 plain pretzels - \$5.00  
Sprinkles for 30 pretzels - \$3.00
- 30 cents per pretzel
  - 40 cents per pretzel
  - 60 cents per pretzel
  - 70 cents per pretzel

9. The students realize they don't have enough money to buy all the productive resources they would like to use for their business. This best illustrates \_\_\_\_\_.
- a. profit
  - b. scarcity
  - c. productivity
  - d. specialization
10. To help them get the productive resources they need, the students ask the bank for a \_\_\_\_\_ and the bank asks the students for a \_\_\_\_\_.
- a. loan, business plan
  - b. business plan, loan
  - c. savings account, loan
  - d. loan, savings account
11. After talking with the bank manager, the Hawthorne Middle School students learn about different kinds of business ownership. A kind of business ownership that is chartered by the state, often issues stock, and has limited liability, is called a \_\_\_\_\_.
- a. directorship
  - b. partnership
  - c. corporation
  - d. sole proprietorship
12. Instead of taking out a loan, the Hawthorne students decide to sell shares of ownership in their company to parents, teachers, and friends. Which of the following represents a share of ownership in a company?
- a. bond
  - b. stock
  - c. capital
  - d. debenture
13. The students are now ready for production! They realize that they need a variety of different tasks done by students with different skills. This is an example of:
- a. specializing to produce more.
  - b. maximizing production costs.
  - c. using natural resources wisely.
  - d. using capital resources to expand production.
14. What can a business do to increase productivity?
- a. Increase the cash payout.
  - b. Raise the price of the product.
  - c. Increase the amount of time to produce a product.
  - d. Give workers better capital resources to work with.

15. When Susan hand dips pretzels into the chocolate, she produces 10 pretzels per hour. When the class rents a dipping machine, she then dips 20 pretzels per hour. What is her labor productivity both before using the new machine and after using the machine:
- a. before .5, after 2
  - b. before .5, after 10
  - c. before 10, after .5
  - d. before 10, after 20

16. The students want to market their products to all Hawthorne Middle School students and teachers. List three ways they could market their products.

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17. The actual data from their first month of production are in. Everyone wants to know if the class made any money. Anne, the class accountant, calculates the following data and reports it to the class. Calculate the accounting profits of the class.

Sales Revenues	\$500.00
Costs of materials (chocolate, pretzels, etc.)	\$125.00
Rental expense for the dipping machine	\$25.00
Business license	\$50.00
Wages paid to workers	\$200.00

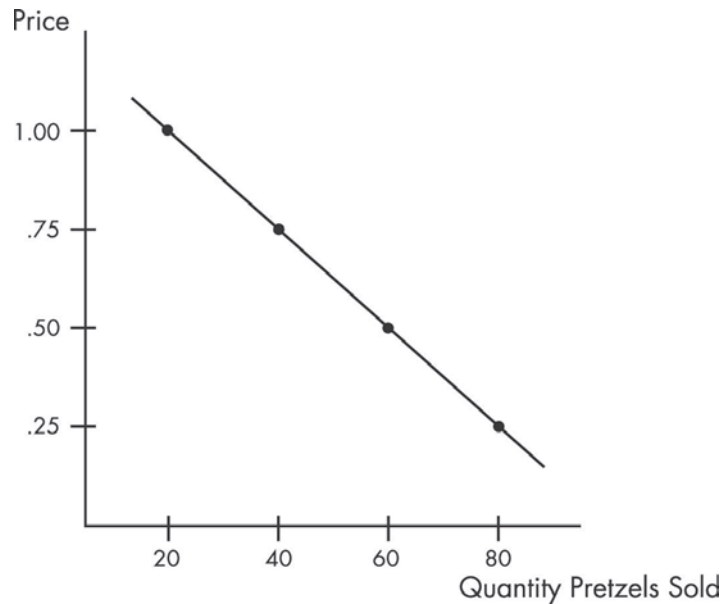
18. Other classrooms, seeing the success of this classroom business, start to develop businesses of their own. If other classrooms start selling different kinds of snack products, explain what could happen to the chocolate-covered pretzel business?

19. What was the opportunity cost for the students at Hawthorne Middle School to do the classroom business?

20. List four skills or abilities that will help entrepreneurs be successful.

### Answers to Test III

1. e. All these questions should be considered.
2. c. command
3. c. human, natural, capital
4. opportunity cost
5. a. the money earned by selling products
- 6.



7. d. calculated by subtracting all costs from sales revenues.
8. 30 cents per pretzel
9. b. scarcity
10. a. loan, business plan
11. c. corporation
12. b. stock
13. a. specializing to produce more.
14. d. give workers better capital resources to work with.
15. d. before 10, after 20
16. Possible answers: word of mouth, school announcements, posters, flyers, web site, school kiosk, radio, TV, etc. Other logical answers possible.
17. \$100
18. If there are no other major changes, the increase in snack options could lower the demand for pretzels. This would put pressure on the class to lower the price of their pretzels. This could cause their profits to fall and they might choose to go out of business.
19. Their opportunity cost was the best alternative use of their time and resources.
20. Possible answers include, knowledge of the particular business, perseverance, ability to take calculated risks, hard work, energy, honesty, passion for success, ability to stay focused, etc.



## Appendix B

### Attitude Survey on Economics and Business

There are no right or wrong answers to this attitude survey. Give it before *and* after your classroom business project. See if attitudes toward business, entrepreneurship, and economics changed as a result of your classroom business.

## Survey on Economics and Business

*Please respond to the statements below. For each statement, circle one number. Circling 1 means that you strongly agree with the statement. The higher the number you circle, the more you disagree with the statement. For example, circling 5 means that you strongly disagree with the statement.*

	Strongly Agree				Strongly Disagree
1. Owning a business is an easy job.	1	2	3	4	5
2. Economics and business are important subjects.	1	2	3	4	5
3. Economics is one of my favorite subjects.	1	2	3	4	5
4. Our economy needs new businesses.	1	2	3	4	5
5. The government should tell people how to spend their money.	1	2	3	4	5
6. Businesses care about the environment.	1	2	3	4	5
7. When a person buys something from a business, <i>both</i> the person and the business are better off.	1	2	3	4	5
8. The government should make businesses pay more taxes.	1	2	3	4	5
9. Businesses make too much money.	1	2	3	4	5
10. The government should tell businesses what prices to charge for products.	1	2	3	4	5
11. In the future, I want to own and run a business.	1	2	3	4	5
12. I have the skills to run a business.	1	2	3	4	5

# Appendix C



## Literature Connection

The following books have economic and/or entrepreneurial themes. The list is certainly not inclusive; however, it will help teachers find books that reinforce classroom business activities. *Before sharing the book with a child, adolescent, or young adult, teachers and parents should always carefully review any title on the list for suitability of content and reading/interest level.*

For each book, there is a suggested interest level to help guide you in book selection. However, please don't feel constrained by these levels. As many teachers know, upper elementary students often enjoy picture books officially labeled for younger students.

Books are listed by approximate interest level within the categories of fiction and non-fiction.

Lessons on many of these books and other children's literature books are available at the popular **KidsEcon Posters**® website ([www.kidseconposters.com](http://www.kidseconposters.com)). Click on Literature Connection.

### Fiction

**Benny's Pennies, by Pat Brisson** (1995, 32 pages, Interest Level P-3)

Benny McBride starts his day with five new pennies and is determined to spend them all on his family and pets. With the help of friends, Benny makes good choices about spending his money.

**Bunny Money, by Rosemary Wells** (1999, 32 pages, Interest Level P-3)

Max and Ruby head into town to buy a birthday present for grandmother. Their money goes quickly as they consider all the other things they want to buy. Will they have enough money left over to purchase a nice gift for grandma?

**Agatha's Feather Bed, by Carmen Agra Deedy** (1991, 32 pages, Interest Level P-3)

Agatha earns money from her fabric store in Manhattan. She purchases a feather bed from B.B. Lean, only to be disrupted by six cranky, cold, naked geese. They want to discuss the fact that *they* are the source of the feathers keeping her warm in her brand new feather bed. Agatha arrives at a solution, again reminding everyone that "Everything comes from something."

**Little Nino's Pizzeria, by Karen Barbour** (1990, 32 pages, Interest Level P-3)

Nino produces the best pizza in the world. His son, Little Nino, loves to help his dad at the pizzeria. Nino loves making pizza and interacting with his customers. Yet, when a large company offers to buy the pizza business from Nino, he sells out. Does this make Nino happy? What does he do next?

**A Day's Work, by Eve Bunting** (1997, 32 pages, Interest Level K-3)

Francisco and his grandfather need money for food. They are hired by a man who offers them \$60 for weeding a large flower garden. They mistake the weeds for flowers and pull out the flowers instead! Francisco gains a new respect for his grandfather as he sees how his grandfather deals with this problem.

**Market Day, by Eve Bunting** (1996, 32 pages, Interest Level K-2)

Eve Bunting writes about her memories of growing up in Ireland and how the sights and sounds of "Market Day" stayed in her memory. As a young girl, she would lie in bed and think about all the things she could purchase. Learn about all the different kinds of goods one can find in an outdoor market.

**Arthur's Pet Business, by Marc Brown** (1993, 30 pages, Interest Level K-3)

Before Arthur can get a new puppy, his parents want him to prove that he is responsible by getting a job and earning some money. Arthur decides to open a pet business. A series of funny adventures proves that he is responsible. He not only earns money, but also learns a lot about decision making and economic responsibility.

**Dan's Pants: The Adventures of Dan, the Fabric Man, by Merle Good & Dan & Fran Boltz** (2000, 32 pages, Interest Level K-3)

Every week, Dan sells fabric to fabric stores. He drags suitcases full of samples from one buyer to the next. Dan indirectly advertises his fabrics by wearing a variety of colorful pants produced by his wife.

**How Santa Lost His Job, by Stephen Krensky** (2001, 32 pages, Interest Level K-3)

Many of the elves feel that Santa is getting too old and slow to deliver toys at Christmas. So an elf named Muckle creates a "Deliverator" machine that will replace Santa. Muckle feels sorry for Santa, but feels that business is business. The elves soon realize that the machine has limitations and they need Santa after all.

**How the Second Grade Got \$8,205.50 to Visit the Statue of Liberty, by Nathan Zimelman** (1992, 32 pages, Interest Level K-3)

This fun-filled book is about the economic adventures of the second grade class at Newton Barnoby School as they try to earn money to visit the Statue of Liberty. Follow this class as they learn about running a business — including all the costs that are involved!

**If Only I Had A Green Nose, by Max Lucado** (2002, 32 pages, Interest Level K-3)

Just like Punchinello, everyone wants to be accepted by their peers. In this story, Willy Withit, who owns the local Face Painting Company, constantly changes nose colors and tries to convince everyone that to fit in, they must change their nose color again. Punchinello learns a lesson about what really matters.

**Mel's Diner, by Marissa Moss** (1999, 32 pages, Interest Level K-3)

Mabel loves helping Mama and Pop run their diner. From morning to night, there is always work to do. This book brings to life a typical day at Mel's diner. There's a lot to learn about running a business!

**Ox-Cart Man, by Donald Hall** (1979, 40 pages, Interest Level K-3)

Every October, the OxCart Man fills up his wagon with everything he and his family have produced all year long. Included in his wagon are bags of wool, mittens, candles, linens made from flax, potatoes, honey, maple sugar, etc. He not only sells his goods at the Portsmouth Market, but with the profit he also purchases a variety of goods for his family.

**The Paperboy, Dav Pilkey** (1999, 32 pages, Interest Level K-3)

As the world sleeps, a young boy wakes up early to fold, load, and deliver the morning newspaper. As a young entrepreneur, he realizes that his job has many responsibilities. This simple story illustrates the challenges of having a job and earning money.

**Pigs Will Be Pigs, by Amy Axelrod** (1994, 40 pages, Interest Level K-3)

The pig family needs some more money, and so they decide to go home and search for some! After finding enough money in socks, drawers, the dryer, a toolbox, pockets, etc., they must decide where to go eat. When they arrive at the restaurant, they must also choose what to order from the menu. This book is full of math and economics applications.

**How Santa Got His Job, by Stephen Krensky** (1998, 32 pages, Interest Level K-5)

Before finding his perfect job, Santa had a tough time keeping a job. He tried all sorts of different jobs, including postal worker, chimney sweep, zoo keeper, and circus performer. Each job experience taught him something. But it wasn't until he met a group of elves that Santa found his true calling!

**Uncle Jed's Barber Shop, by Margaree King Mitchell** (1988, 40 pages, Interest Level K-6)

Sara Jean's Uncle Jed was the only black barber in the county. His dream was to one day own his own barber shop. Through many difficulties, including Sarah Jean's emergency surgery and the bank failures of the Great Depression, Uncle Jed opens his barber shop on his 79th birthday. This is a stirring story of sacrifice and long-deferred goals finally realized.

**A Basket of Bangles, by Ginger Howard** (2002, 32 pages, Interest Level 2-6)

This story is about a woman in Bangladesh who becomes an entrepreneur as an alternative to begging. Sufiya, joins with other women to start their business. They receive a micro-loan of \$35 and start businesses selling milk, after-school snacks, soap, and saris. They manage to pay off their loan on time and even begin to save. The story ends with them using their established good credit to take out another loan to expand their respective lines of business.

**Double Fudge, by Judy Blume** (2002, 160 pages, Interest Level 3-6)

Five-year-old Fudge Hatcher is obsessed with money. He dreams of being rich someday and wants to buy the whole world, or at least Toys-R-Us. He ends up printing his own money, Fudge Bucks, only to be discouraged that no one will accept his money for the goods and services he wants to purchase.

**Freckle Juice, by Judy Blume** (1984, 40 pages, Interest Level 2-6)

Andrew thinks that if he has freckles his mom will never know if his neck is dirty. A fledgling entrepreneur named Sharon tricks Andrew into thinking that she has a secret formula that will produce freckles. She calls this formula "Freckle Juice" and sells it for fifty cents. It's a lot of money, but Andrew is desperate to have a face full of freckles.

**The Lemonade War, by Jacqueline Davies** (2007, 192 pages, 3-6)

*Lemonade War* tells the story of an exciting summer spent by a pair of competitive siblings. Their conflict becomes professional as they try to outsell each other at their respective lemonade stands. Their business adventures are of ups and downs that affect potential profits. Economic concepts are defined throughout the book.

**Lunch Money, by Andrew Clements** (2005, 224 pages, Interest Level 3-7)

Ever since he was little, Greg has been interested in earning and saving money. He loved to collect money to see how much he could get. Throughout the book, Greg does a variety of jobs, including selling lemonade and toys at school. He earns a grand sum of over \$3,000 by fifth grade! His arch-rival, Maura, decides that she can make money, too, thus causing Greg a lot of financial problems.

**Stone Fox, by John Reynolds Gardiner** (1998, 126 pages, Interest Level 2-6)

Ten-year-old Little Willy lives on a potato farm with his grandfather. His grandfather becomes very ill and Little Willy discovers there is a big problem — grandfather owes \$500 in back taxes on the farm. If the taxes aren't paid, they will lose the farm. So Little Willy takes \$50 from his savings account to enter a dogsled race, hoping to win the grand prize. He will be racing against some of the best dog sled teams in the country, including the team of Stone Fox. Little Willy knows the terrain, but can one boy and one dog be a match against the unbeatable Stone Fox?

**Toothpaste Millionaire, by Jean Merrill** (1974, 96 pages, Interest Level 3-6)

Appalled by the price of toothpaste, Rufus Mayflower develops his own brand of toothpaste. With a little help from his friends, he sells it for three cents per tube. He figures if he can make a profit of one penny per tube, he might be able to retire as a millionaire by eighth grade.

**Rising Tide, by Jean Thesman** (2003, 111 pages, Interest Level 5-9)

In 1908, Kate Keely returns from Ireland to a newly bustling San Francisco. She makes a new life for herself by opening a small shop with her friend, Ellen. They encounter many obstacles as they try to sell handmade Irish linens and dresses to wealthy women and college students. Ellen is infatuated with a reckless, wealthy department store heir, while otherwise practical Kate can't stop thinking about the mysterious author of the travel journal she found on her trip home.

**Stock Market Pie: Grandma Helps Emily Make a Million, by J.M. Seymour** (2003, 32 pages, Interest Level 4-12)

As Grandma makes an apple pie with her granddaughter Emily, she explains all the ins and outs of stocks and the stock market. This cleverly illustrated and highly informative book is perfect for helping students to learn about a complicated subject in an amusing and motivating way.

**Al Capone Does My Shirts, by Gennifer Choldenko** (2004, 228 pages, Interest Level 5-9)

A 12-year-old boy named Moose, whose father is a prison guard, and the warden's daughter, Piper, take advantage of the fact that since they live on Alcatraz Island, their laundry is done by the inmates. Moose and Piper offer laundry service to their schoolmates, advertising that it will be done by such famous inmates as Al Capone and Machine Gun Kelly.

**The Beloved Dearly, by Doug Cooney** (2002, 183 pages, Interest Level 3-7)

Although his father has forbidden it, Ernie, a 12-year-old business tycoon, makes a tidy profit in the pet funeral business. But when he refuses to give his star employee a promised raise and the business starts to fall apart, it takes the death of his own dog to bring everyone back together.

**Not for a Billion Gazillion Dollars, by Paula Danziger** (1992, 121 pages, Interest Level 4-8)

Eleven-year-old Matthew wants an amazing computer program, but his parents balk at the cost. Eventually they agree to pay half if he will earn the other half himself. He tries several schemes to earn the money and finally comes up with a legitimate business for himself and his friends.

**Framed, by Frank Boyce Cottrell** (2005, 306 pages, Interest Level 3-7)

Dylan is in charge of Market Research at the Snowdonia Oasis Auto Marvel. The Snowdonia Oasis Auto Marvel is his family's garage. It is located in a small town at the bottom of a big mountain. The town and their business are dying until the day a black BMW M5, a red Nissan X-Trail, and two white Combi Vans go up the mountain road and don't come back down.

**101 Ways to Bug Your Parents, by Lee Wardlaw** (1996, 204 pages, Interest Level 4-8)

Twelve-year-old Steve "Sneeze" Wyatt has a new invention and an appointment with the president of Patterson Enterprises when he attends the Invention Convention. But when things change and his parents won't be taking him to the Invention Convention after all, he decides to go anyway. In order to earn the money, Sneeze finds a job, decides to write a book, 101 Ways to Bug Your Parents (which every kid wants to buy), and runs into many unexpected consequences along the way.

**Hound Heaven, by Linda Oatman High** (1995, 174 pages, Interest Level 3-9)

After being orphaned, 12-year-old Silver is taken in by her grandfather. She decides she needs a dog to love. When her grandfather refuses, Silver sets out to earn the money to purchase the dog herself.

**Money Hungry, by Sharon G. Flake** (2001, 188 pages, Interest Level 4-9)

After experiencing homelessness, 13-year-old Raspberry becomes obsessed with money. She wants to earn as much as she can and she wants to hold on to what she earns. Believing that Raspberry's money is stolen money, her mother throws it away – out the window. This inspires Raspberry to take a hard look at her obsession.

**Lawn Boy, by Gary Paulsen** (2007, 88 pages, Interest Level: 5-12)

For his birthday, *Lawn Boy's* 12 year old main character receives his late grandfather's riding lawnmower. As soon as he gets it running, his neighbors begin to employ him. His business grows and grows and he soon has many employees. Then he is mentored by a stockbroker who guides him into investing in exchange for a well-manicured lawn. By the end of the summer, Lawn Boy has wealth beyond his wildest dreams!

**Business as Usual, by David Haynes** (2001, 111 pages, Interest Level 4-8)

Mr. Harrison's 6th grade students must form companies and choose which products to sell as they participate in his famous spring economics unit. There are many unanticipated challenges as they learn how businesses work.



## Non-fiction



**Out and About at the United States Mint, by Nancy Garhan Attebury** (2004, 24 pages, Interest Level P-3)

This is an easy-to-read picture book about a group of elementary students who take a field trip to the U.S. Mint. There are lots of side notes and factual information throughout the book. Learn where money is made, how it is made, and how coins get circulated.

**Brainstorm! The Stories of Twenty American Kid Inventors, by Tom Tucker** (1995, 150 pages, Interest Level 5-9)

In *Brainstorm*, you will read about these and other incredible kid inventions: earmuffs (1873), colored car wax (1991), electronic television (1927), the popsicle (1905), flippers and swimming paddles (1718), the atomic simulator (1977), a tack-making machine (1806), the resealable cereal box (1946).

**What Color Is Your Piggy Bank?: Entrepreneurial Ideas for Self-Starting Kids, by Adelia Cellini Lunecker** (2004, 144 pages, Interest Level 4-9)

*What Color Is Your Piggy Bank?* challenges “twens” and young twens to start their own small businesses. It provides the necessary “how-to” steps and is filled with tips, quizzes, fun facts, quotations, and real-life success stories that will help youngsters get their ideas off the ground. There is also good advice on saving and spending money wisely and giving back to the community. The book also helps young people think for themselves, deal with others in a professional manner, and manage their scarce time – valuable skills for any future career.

**Young Zillionaire’s Guide to Producing Goods and Services, by Juliana O. Tillema** (2000, 48 pages, Interest Level 4-9)

In order to manufacture goods and offer services, companies must know not only what the public wants but also how much it costs to provide these services. This book explains how manufacturers estimate costs, determine final prices, and decide production methods

**Young Zillionaire’s Guide to Money and Banking, by Clare Tattersall** (2000, 188 pages, Interest Level 4-9)

This is a great resource for an explanation of the economic terminology surrounding money and banking in our economy. The section titled How to Earn Enough to Save, helps students pinpoint the skills they have that they can use to earn extra money. The book includes a glossary, websites for more information, and a bibliography of books for further reading.



**The New Totally Awesome Business Book for Kids (and Their Parents): With Twenty Super Businesses You Can Start Right Now!**, by Arthur Berg Bochner (2007, 188 pages, Interest Level 5-9)

This newly revised book for young entrepreneurs takes children step-by-step through the process of starting their own businesses. The fun and fact-filled volume also includes:

- Cartoons, quizzes, games, and stories about starting up a business
- Using eBay and other Internet resources
- Ideas for donating to nonprofits and helping the environment.
- Descriptions of 20 super businesses to start right now (such as lemonade stands, lawn mowing, garage sales)
- Ten basic business skills kids need to know

**The New Totally Awesome Money Book for Kids** by Arthur & Rose Bochner (2007, 189 pages, Interest Level 4-7)

This revised book covers the basics of saving, investing, working, and taxes in a smart, entertaining style. It is packed with useful, easy-to-understand information on every area of money and investments. There are also cartoons, quizzes, games, and other activities to make learning about money fun. Some topics include:

- Budgets and saving
- Basics of stocks, bonds, and other ways of investing
- Credit cards and borrowing
- Using the Internet
- Paying for college

**100 Most Popular Business Leaders for Young Adults: Biographical Sketches and Professional Paths**, by Rochelle Logan & Julie Halverstadt (2002, 19 pages, Interest Level 7-12)

The 100 biographical sketches contain photos, chronologies, business advice, and more from such well-known individuals as Laura Ashley, Stephen Covey, Bill Gates, Oprah Winfrey, Quincy Jones, and Martha Stewart. This book can be used not only as a biographical reference tool but also as inspiration for young entrepreneurs.

**The Young Entrepreneur's Guide to Starting and Running a Business**, by Steve Mariotti (2000, 377 pages, Interest Level 7-12)

Through stories of young entrepreneurs who have started businesses, this book illustrates how to turn hobbies, skills, and interests into profit-making ventures. Former teacher, Steve Mariotti, describes the characteristics of the successful entrepreneur and covers the nuts and bolts of getting a successful business up and running. Brief case studies of entrepreneurs who started at a young age are included.

**Rich Dad, Poor Dad for Teens: The Secrets About Money — That You Don't Learn In School!**, by Robert T. Kiyosaki (2004, 132 pages, Interest Level 7-12)

When the author was growing up, he wasn't exactly an "A" student, and he knew that he learned in a different way than the teachers expected him to. Then Robert found a mentor who taught him about money and investing — and Robert became so successful that he was able to retire in his forties. *Rich Dad Poor Dad for Teens* helps teens make successful financial decisions. The book is full of straight talk, sidebars, and quizzes. No matter what your grades are, you are smart enough to thrive financially — and it is never too early to begin your financial education!











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