

economics and business

Chapter 1 The econom toolkit

YEAR 9

Chapter 2 Understandi

Chapter 3 Managing fir and rewards

Chapter 4 The changing environment

YEAR 10

Chapter 5 Measuring A economic performance Chapter 6 Living stands Chapter 7 The business

nics and business	4
ing the economy	12
nancial risks	34
ng work	56
Australia's	74
ards	88
s environment	102

The economics and business toolkit

Economics – why is everyone so concerned about it? It is important because economics is about people producing goods and services to be consumed, used and shared. It is about maximising the goods and services that can be produced with a limited amount of resources.

Over 23 million people live in Australia, which amounts to a lot of production and consumption of goods and services. To coordinate and organise these processes we have an economic system that is modelled on how a market works.

The government and the Reserve Bank also have roles to play in managing the Australian economy.

At the heart of every economy is **business**. Business is about producing goods or providing services in exchange for money. In the 21st century, young people will need to adapt to change and seek new and innovative ways to do business in a global marketplace.



Source 1 The internet allows buyers and sellers to easily exchange goods and services on a global basis. It's an exciting time to be in business.

16A

What are the economics and business skills?

16.1 Economics and business skills

Economists use real-life case studies of the economy and business to generate questions, interpret information and argue their point of view. They also learn and experience how to investigate economic and business issues through simulations and enterprising activities. These experiences provide an opportunity for economists to be innovative, show leadership and demonstrate the ability to make wise business decisions.

Studying economics and business requires you to analyse information and ask a range of questions to find out more about a topic. You will learn to question and research information by asking what, why, when, who and how to uncover the truth about an issue. Your investigation may involve weighing up the costs and benefits of an economics or business proposal and making recommendations.

Ask questions and conduct research	 Develop questions and hypotheses about an economic or business issue, then plan and conduct an investigation Gather relevant and reliable data and information from a range of sources 	
Interpret and analyse sources	Analyse data in different formats to explain cause-and-effect relationships, make predictions and illustrate alternative perspectives	
Apply strategies to resolve economic and business issues	 Generate a range of viable options in response to an economic or business issue, use cost-benefit analysis and appropriate criteria to recommend and justify a course of action and predict the potential consequences of the action 	
	 Apply economics and business knowledge, skills and concepts in familiar, new and hypothetical situations 	
Communicate your findings and reflect	 Present arguments and evidence-based conclusions in a range of formats using economics and business conventions, language and concepts 	
	Reflect on the intended and unintended consequences of economic and business decisions	

Source 1 The four categories of skills used in economics and business inquiries



Source 2 'Learning on the job' provides great insights and opportunities for economists and economics and business students.

16.2 Ask questions and conduct research

Develop questions and hypotheses about an economic or business issue, then plan and conduct an investigation

Economists ask lots of questions. They seek out economic and business cases and undertake an investigation to try to learn from and avoid mistakes made in the past. They also check facts and look at the arguments for and against a certain issue before reaching their own conclusions. When economists state their own viewpoint they support this with evidence such as statistics, cases from the past, quotes from what others have said and sound reasoning.

skilldrill: Reasoning and interpretation

Developing a hypothesis

Developing a hypothesis is a useful tool in economics and business. A hypothesis is a proposition that provides an explanation or reason why something has occurred or a problem exists. It can be likened to taking an 'educated guess' or prediction. In business, developing a hypothesis and testing whether it is true or not could mean that personal and financial loss is avoided. Here is an example of a hypothesis that could be tested.

'Youth unemployment is unacceptably high because of insufficient training and education programs.'

It may help you to write a hypothesis on an economic or business issue or event by remembering the 'If and then' model of hypothesis writing. For instance, 'IF the employer pays extra bonuses for good performance THEN his employees will work harder'.

- **Step 1** Identify the question you are creating a hypothesis for.
- Step 2 Make an educated guess, using any available knowledge to provide a possible answer to the auestion.



Source 1 It is important as an economics and business student that you continue to ask in the classroom whenever you need more information.

Step 3	Formulate the hypothesis so that it provides	
enough information to complete the sentence:		
'IF	THEN	.'
(You	can then reword the hypothesis to make it rea	ad

Step 4 Test your hypothesis by using data and surveys, analysing any information about the topic and learning what experts in the field say about it.

Apply the skill

better if you need to.)

- 1 Janet plans to sell her unique brand of handmade knitted jumpers via her own website, which she intends to build herself. These jumpers are made from pure wool and are more expensive than other jumpers on the market. It takes Janet at least three days to make one jumper. Write a hypothesis about the likely success of Janet's business.
 - 2 How could you test whether your hypothesis about Janet's business is likely to be correct?



Source 2 Taking someone else's work in any form whether it is from a book or the Internet is a form of stealing called plagiarism that can result in serious consequences.

Gather relevant and reliable data and information from a range of sources

Although books and newspapers are valuable sources of information, most research today is conducted online. In order to ensure that sources gathered online are accurate, reliable and relevant, a number of guidelines should be followed:

- Search engines such as Google are useful research tools, but much of the material on these sites is not reliable and may contain inaccuracies, false and misleading information or material that is out of date. When using search engines, be sure to define your search using keywords. Your librarian is a good person to ask for help and information. Most schools will also have a website devoted to providing information about developing good research skills.
- A reliable way of searching for sources is to use sites linked to educational institutions, government departments, reputable companies and universities. A quick way of telling if a site is reputable is to look at the domain name in the URL (internet address).
- Avoid blogs posted by unknown individuals. If you find information relevant to your investigation on a blog or social media site, always verify it by using a more reliable source.
- Never cut and paste information from the internet straight into your own work. Taking someone else's work, ideas or words and using them as if they were

your own is called plagiarism and can result in very serious consequences.

Check your learning 16.2

Remember and understand

- 1 Why is it important for economists to ask a lot of questions?
- 2 How can economists ensure the sources they find online are reliable?

Apply and analyse

- 3 Develop a hypothesis to explain the following situations.
 - **a** In order to pay his business' bills, John has decided to pay his employees less. Not long after, many of his employees quit.
 - **b** Krupa owns an ice cream shop. During the summer months, business is good and she sells lots of ice cream, but during winter, not many people want to buy her ice cream.

Evaluate and create

4 Develop five questions that might help an economist investigate whether or not it is a good idea for Sandy to open a fish and chip shop in the main street of her town.

16.3 Interpret and analyse sources

Analyse data in different formats to explain cause-and-effect relationships, make predictions and illustrate alternative perspectives

Economists use charts, statistical tables, case studies, interviews and simulation games to help identify the cause of a problem or event and its likely outcome or effects. For example, the decline in demand for mining commodities such as coal, iron ore, zinc, nickel, copper and bauxite (the cause) has led to unemployment (the effect) in some parts of rural Australia. This is an example of a cause-and-effect relationship.

In economics and business the answer to a question may not always be black or white but many shades of grey. This is because it is a subject area where there are many alternative perspectives. For example, there are many reasons why youth unemployment is higher than the general rate of unemployment in Australia and statistics may not provide all the answers. Many issues require you to weigh up alternative perspectives, all of which may be valid.

HOW TO TURN THE ECONOMY AROUND



Source 1 In economics there may be multiple perspectives on a certain issue or event. Sometimes, statistics can be illustrated to give the wrong impression.



Source 2 Interviewing different people in your community, such as your friends, neighbours or local business people, about a problem can offer a variety of interpretations.

Check your learning 16.3

Remember and understand

- **1** Why is there not often more than one answer to an economic question?
- 2 What sources of information can economists use to identify the cause of a problem?

Apply and analyse

- 3 Identify the cause and the effect for each of the following scenarios.
 - **a** A lot of people were angry when a concert featuring singer Sam Smith was cancelled.
 - **b** As the Zika virus spread around the world and more people became affected, the federal government decided to put more funding into researching a cure for the virus.
 - c Less people bought CDs after the first MP3 player was released.
 - chapter 1 the economics and business toolkit 465

16.4 Apply strategies to resolve economic and business issues

Generate a range of viable options in response to an economic or business issue, use cost-benefit analysis and appropriate criteria to recommend and justify a course of action and predict the potential consequences of the action

There's usually more than one way to solve an economic problem or find the right solution in business. Before examining possible options, you must first do some preliminary work to find out about the topic. Read widely, consult your textbook, conduct an internet search and find out what experts say about the issue or question you are examining. Write a summary and then refine these notes by writing a list of all the options. Next to each option write the advantages and disadvantages or costs and benefits and then delete those that are weak. Concentrate on the stronger options and either make a decision about which one is best or do further research before deciding the best option.

Apply economics and business knowledge, skills and concepts in familiar, new and hypothetical situations

Reading about economics or business in your textbook or using online resources can only teach you so much. Applying knowledge to a real business situation is a valuable experience and there are a number of ways you can do this:

- Talk to someone in business about their experiences to see how the things you have learned in class apply in real life.
- Observe the world around you. When you next go shopping think about some of the things you've been studying such as customer service, competition, marketing techniques and types of businesses.
- Try coming up with your own innovative business idea and discuss it with others.
- Use opportunities to role play or play simulation games as a chance to hone your skills and put what you have learned into practice.

Check your learning 16.4

Remember and understand

- 1 Why do you think it is important to find out about an issue before making a decision on how you will deal with it?
- **2** Name three ways you could apply your knowledge of economics and business to real life situations.

Apply and analyse

- 3 Imagine you must choose how to spend the weekend. Conduct an analysis of the options below, based on your personal preferences, and decide which option is the best. Your analysis should take into account advantages and disadvantages for each option.
 - **a** bike riding
 - **b** watching a movie
 - c doing homework
 - d reading a book
 - e playing footy with your friends
 - f visiting your grandparents
 - g cleaning your room

16.5 Communicate your findings and reflect

Present arguments and evidencebased conclusions in a range of formats using economics and business conventions, language and concepts

Just like in science, a common language is used in economics and business. Source 1 lists and defines some commonly used terms in economics and business; additional economics and business terms can also be found in the glossary at the end of this book.

business	Activity that involves producing good
capitalism	A set of economic and political ideas such as land and capital from which
Consumer Price Index (CPI)	A measurement of retail price chang households in Australia spend
cost-benefit analysis	Estimating what will need to be paid
economics	The study of how people produce, o
Gross Domestic Product (GDP)	The total market value of all goods a
interest rates	The amount a borrower must pay to percentage of the total amount borro
investing	Putting money into shares, property
opportunity cost	The cost of the next best alternative
unemployment rate	The percentage of people who are in who are employed and unemployed

Source 1 Some useful economic and business terms

Check your learning 16.5

Remember and understand

- 1 Use your own words to define the following economics and business terms:
 - **a** business
 - **b** investing
- 2 Why is it important to reflect on business decisions?

Apply and analyse

3 Reflect on the following scenario and determine which decisions were good or bad economic decisions.

Reflect on the intended and unintended consequences of economic and business decisions

The decision to change a product, undertake a marketing campaign or change the price of a product or service can lead to business success or failure. According to the Australian Bureau of Statistics, more than 60 per cent of small businesses close within three years of

s; starting out. Business closure is certainly an unintended business outcome. Good business planning, research and reflecting on previous experiences can provide a valuable guide for future business success.

ods or providing services in exchange for money

as that states that private individuals should own productive resources ch they can earn profit

nges of a constant basket of goods and services representative of what

id (costs) and possible profits (benefits) derived from a business proposal consume and share wealth

and services produced within Australia in a given time frame

to a lender for the use of assets such as money. Usually expressed as a rrowed

ty or other financial schemes in the hope of making a profit

e use of resources

in the labour force who are unemployed. The labour force includes those

Elan and Judy open a small bakery together. They decide to rent a shop opposite a local primary school and develop a partnership with the school filling lunch orders. They have a big sign out the front of their bakery, but decide not to do any other advertising like dropping flyers in letterboxes or sponsoring the local netball team. Elan and Judy find most of their business comes from the primary school, but they don't get many other customers.

chapter 1 the economics and business toolkit 467