

Introduction to Business and Management

Spring 2020

- Economics Unit
 - Lesson #4

Daily Objectives

- Students will be able to define opportunity costs
- Students will be able to calculate and compare mutually exclusive economic choices

Lesson Starter:

What is the next best thing you could be doing instead of following this lesson?

Lesson Starter continued:
Your answer is an example of one
opportunity cost for giving your
time, energy, and focus to this
lesson.

Watch the video below, for further explanation

What is Opportunity Cost?

Opportunity cost is the value of what you are willing to pass on as the result of making a decision. In other words, the value of the next best alternative.



Link: <https://youtu.be/x-hYzRncxTc>

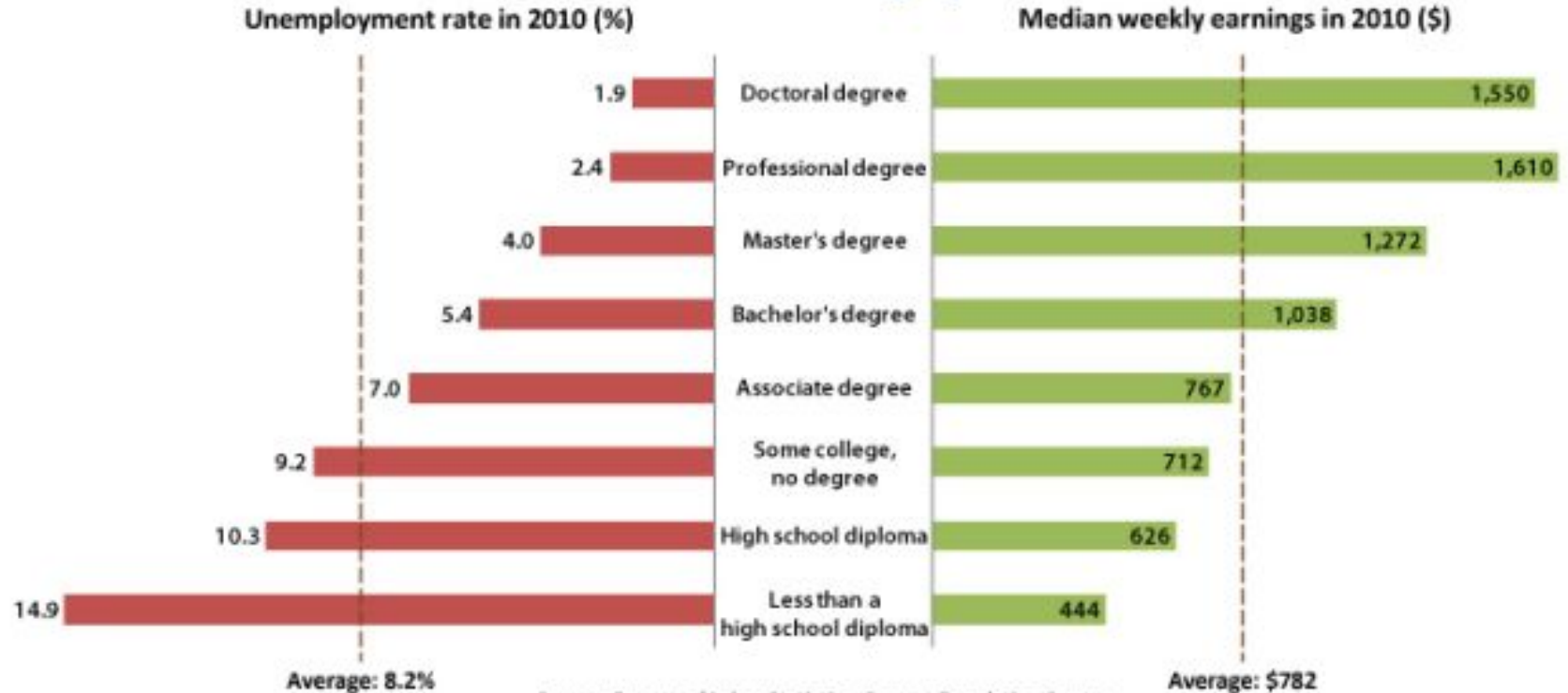
Activity: The Cost of College

How much does it really cost to go to college? Sometimes cost involves more than just a price tag. This activity will look at the opportunity costs of earning a four-year bachelor's degree based on data from the U.S. Bureau of Labor Statistics.



This graph shows the median weekly income for people with different levels of education. Based on this graph, answer the questions on the following slides.

Education pays:



Source: Bureau of Labor Statistics, Current Population Survey

Question #1

Emily has a bachelor's degree. If Emily earns the median income for someone with her degree, how much does Emily earn each week?

Answer:

Question #2

If Emily works 50 weeks this year, how much money will she earn for the entire year?

Answer:

Question #3

Brian just graduated high school. Instead of going to college, Brian got a job working in a clothing store. If Brian earns the median income for someone with a high school diploma, how much money will he earn each week?

Answer:

Question #4

If Brian also works 50 weeks this year, how much money will he earn for the entire year?

Answer:

Question #5

After comparing his paycheck with Emily, Brian is thinking about quitting his job and getting a bachelor's degree. It will take Brian four years to earn his degree. Tuition for the degree is \$7,500 per year. How much total tuition must Brian pay to earn a bachelor's degree?

Answer:

Question #6

If Brian goes to college, he will have to quit his job in the clothing store. How much income will Brian give up by quitting his job for four years?

Answer:

Question #7

What is the total cost of Brian's choice to enroll in a four-year college (his tuition and the money he could have made if he didn't go to college)?

Answer:

Question #8

After doing the math, Brian decides to quit his job and enroll full-time in college. Once Brian graduates, he will earn the same amount of money as Emily. How much more money will Brian make each year with a Bachelor's degree than he made before he had his degree?

Answer:

Question #9

Based on your answers to question 7 and 8, how many years will it take Brian until his bachelor's degree pays off?

Answer:

Question #10

Throughout this activity we discussed the dollar amount of opportunity cost between education and income. What are some other opportunity costs when deciding whether to continue education or going into the workforce?

Answer:

Additional Resource:

If you would like to learn more about opportunity costs, specifically between saving and spending money, please read the article linked below.

<https://kwhs.wharton.upenn.edu/2011/03/olivia-mitchell-on-why-young-consumers-should-just-say-no-to-spending/>