

Opportunity Cost

Overview

This lesson introduces the concept of opportunity cost in the eyes of both the consumer and the producer. Students will walk away from the lesson thinking about the opportunity cost that comes with each decision that they make.

Objectives

By the end of the lesson, students will:

- Understand the concept of opportunity cost
- Explicitly define the opportunity cost in various daily scenarios
- Connect opportunity cost to large scale planning

Standards

Spending and Saving

Standard 4. Apply consumer skills to spending and saving decisions.

Financial Decision Making

Standard 1: Recognize the responsibilities associated with personal financial decisions.

Standard 5: Apply communication strategies when discussing financial issues.

This listing is based on the JumpStart National Standards for Personal Finance. To see how this lesson aligns with other standards (including for your state), visit content.PersonalFinanceLab.com/Standards

Vocabulary

- **Opportunity Cost** is what needs to be given up to get something. This is different from an item's price
- **Scarcity** is the level of availability of something. The more scarce, the less there is of it e.g. water is scarce in a drought.
- **Choice** is the number of options that you have available to you when making a decision.
- **A need** is something that you cannot live without i.e. water, food for fuel, warmth.
- **A want** is something that is a luxury. Without it, you will still manage to survive.
- **Tradeoff** is when you make a decision and there is an advantage or a disadvantage to that decision.

Lesson Plan Includes

- | | |
|---|---|
|  Direct Instruction |  Technology-Based Activities |
|  Accompanying Presentations |  Worksheets |
|  Class Discussion |  Assessments |
|  Full Class Activities |  External Resources |
|  Small Group Activities |  Homework Optimized |
|  Individual Activities | |

Activity Summary

- Introduction
  Time: 5 Minutes
- PFL Budgeting Game
   Time: 20 Minutes
Requires: PFinLab Budgeting Site License, Computer Access
- PFL Opportunity Cost Lesson
   Time: 15 Minutes
Requires: PFinLab Curriculum Site License, Computer Access
- PFL Planning Long Term Purchases Lesson
   Time: 15 Minutes
Requires: PFinLab Curriculum Site License, Computer Access
- PFL Work Vs Study Lesson
   Time: 15 Minutes
Requires: PFinLab Curriculum Site License, Computer Access
- Dinner Prep on a Budget
   Time: 15 Minutes
Requires: Worksheet, Computer Access
- PFL Stock Market Game
  Time: 15 Minutes
Requires: PFinLab Curriculum Site License, Computer Access
- This or That Discussion
   Time: 15 Minutes
- Small Group Scenarios
  Time: 15 Minutes
- Flow Chart
  Time: 15 Minutes
Requires: Worksheet
- Planning Prom
   Time: 20 Minutes

Instructor's Guide

Introduction

Explain to students that today they will be learning about Opportunity Cost.

- Explain that everyone faces opportunity costs each and everyday. Some of the opportunity costs may be small and they might be made without even thinking about it while other opportunity costs may be larger and have larger impacts on their lives.
- Explain that :
 - “Opportunity Cost” is what needs to be given up to get something. This is different from an item’s price
- Provide an example:
 - I am deciding what to do this weekend. I can go take a free coding class offered at the library or go to a music festival with my friends. I choose to go to the coding class because I think it would be more beneficial long term. The opportunity cost is missing out on quality time with my friends and missing my favorite band performing.
- Ask the students to think of a choice that they made today that involved an Opportunity Cost and then have them share it with a partner.

Time:
5 Minutes

Type:



Required Resources:

Independent Activities

Activities designed for students to learn independently—either in class or as homework. Some activities include presentations if you prefer to use them for direct instruction instead of independent study.

[PFinLab Budget Game](#)

Have students complete 1 simulated month of the PersonalFinanceLab.com budgeting game. For each decision they make through the month, have them record their action, with a sentence explaining why.

Collect their note sheets as an assessment.

Discussion Questions:

- How did you prioritize which scenarios you would spend money on?
- Do you think you spend more money on needs or wants?
- What are some scenarios you didn't face in the game but you face in real life?

Time:
20 Minutes

Type:



Required Resources:

- PFinLab Budget Game
- Computer Access

Opportunity Cost

Instructor's Guide

PFinLab Opportunity Cost Lesson

Assign your students the "Opportunity Cost" lesson on PersonalFinanceLab.com. This lesson is an introduction article to Opportunity Cost from the view of a producer and a consumer.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up the next day with discussion questions.

Discussion Questions:

- What is an example of an Opportunity Cost that a producer must make?
- What is an example of an Opportunity Cost that a consumer must make?
- Why is it important to think about Opportunity Costs?

Resource Links:

Lesson Content (Included in the Assignment on PersonalFinanceLab.com)

<https://content.personalfinancelab.com/glossary/n-t/opportunity-cost/>

Presentation:

https://docs.google.com/presentation/d/1qSY9iktr8Jfk5itbC_Shc3wf3Tg9hvOIY0Kq_DnANDA/copy

Time:

10 Minutes

Type:



Required Resources:

- PFinLab Curriculum
- Computer Access

Dinner Preparation on a Budget

Have students complete this worksheet that asks them to plan a dinner party with a budget of only \$50. Students must assess the opportunity cost when it comes to selecting guests and a menu. They will then research online the cost of the dishes they selected to see if they remain on budget or go over.

Finally they will answer questions about the process and relate it back to opportunity cost. The questions at the end of the worksheet can be used as the start of a class discussion as well.

Collect the worksheet, and evaluate as an assessment.

Discussion Questions:

- Was there anyone you wanted to invite that you could not invite? Why could you not invite them?
- Would your list of people to invite be different if you had \$100 to spend? Would the food you offered be different if you had \$100 to spend?
- How does all of this relate to economics and opportunity costs?

Resource Links:

<https://www.teacherspayteachers.com/Product/Dinner-Preparation-on-a-Budget-Opportunity-Cost-Activity-4461088>

(Requires Login to Teachers Pay Teachers)

Time:

15 Minutes

Type:



Required Resources:

- Worksheet
- Computer access

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PFinLab Planning Long Term Purchases Lesson

Assign your students the "Planning Long Term Purchases" lesson on PersonalFinanceLab.com. This lesson discusses terms like opportunity cost and depreciation of purchasing big items such as a phone or a car. It also goes through a step by step calculation to figure out how to plan for a long term purchase.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Discussion Questions:

- Why is factoring in depreciation important?
- What is an example of an item that would require you to go through that mathematical process?

Resource Links:

Lesson Content (Included in the Assignment on PersonalFinanceLab.com)

<https://content.personalfinancelab.com/finance-knowledge/personal-finance/planning-long-term-purchases/>

Presentation:

<https://docs.google.com/presentation/d/1oTmU1TY70lg7qLdhiRMA-jYDgCLggrbktGLx6MruTcA/copy>

Time:

15 Minutes

Type:



Required Resources:

- PFinLab Curriculum
- Computer Access

PFinLab Work vs Study Purchases Lesson

Assign your students the "Work vs Study" lesson on PersonalFinanceLab.com. This lesson addresses the different opportunity costs of continuing your education after high school or going straight into the workplace. It breaks the thought process into four steps to help students understand all their options when it comes to employment, income and opportunity cost.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Discussion Questions:

- What are the opportunity costs associated with going to college?
- What are the opportunity costs associated with going to the workplace?
- How do you go about the situation if you did not know what you want to do for work or know what you want to study?

Resource Links:

Lesson Content (Included in the Assignment on PersonalFinanceLab.com)

<https://content.personalfinancelab.com/finance-knowledge/personal-finance/work-versus-study/>

Presentation:

<https://docs.google.com/presentation/d/1giZ1Po8kuO5otN76-6XM3CjMmeKktVMgBdallYOE4eo/copy>

Time:

15 Minutes

Type:



Required Resources:

- PFinLab Curriculum
- Computer Access

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PFinLab Stock Game

In this activity students will be identifying different stocks that they would like to purchase and then eliminating certain stocks. This will teach them the concept of opportunity cost when it comes to investing.

Have students choose 10 different stocks that they would like to invest in.

Explain to them that they can now only choose 5 of the 10.

They must write which 5 they picked and why they choose those stocks over the other 5.

They will turn in the document as an assessment.

Time:

15 Minutes

Type:**Required Resources:**

- PFinLab Budget Game
- Computer Access

Instructor's Guide

Full Class Activity

Activities designed for whole-class participation. These are best used along with the direct instruction portion of the lesson.

This or That Discussion

This is a teacher led discussion where students will be choosing between two different options. Throughout the process students will be encouraged to think about the opportunity cost that comes with each decision.

- Write the following on the board:
 - Eating Oatmeal v Eating Pancakes
 - Going to the Library v Going to the Movies
 - Going to College v Getting a Job
 - Joining a Gym v Getting a Tutor
 - Playing Lacrosse v Joining the Play
 - Work vs Study
- Have students get into pairs or groups and discuss the explicit costs (Monetary) of each of the ideas. Write their ideas on the board.
- Next have them discuss the opportunity cost. Is there more than one cost? Does each opportunity cost carry the same weight as the next? Again, write key responses on the board.
- For at least one of the examples, tree chart the outcomes of making the original decision. Keep mapping out the decisions for at least 5 steps.
- Have the students map out one example on their own.
- Go through each option and have students vote for which is better.

Discussion questions:

- Why should people look at the opportunity cost of an action?
- How can we use opportunity cost in a non-monetary context?
- What is the opportunity cost of showing up to class?
- What is the opportunity cost of not showing up to class?
- What are some reasons that companies and individuals should be aware of opportunity costs?
- How do you think opportunity costs affect the macroeconomics of a nation?
- How might opportunity cost affect comparative advantage?

Time:
15 Minutes

Type:



Required Resources:

Instructor's Guide

Small Group Activities

Activities designed for small groups of students. These resources are best used after full-class direct instruction and activities.

Small Group Scenarios

In this activity students will be working in small groups to read scenarios that involve opportunity costs. They must work as a group to make a decision and then identify and record the opportunity cost.

- Cut out the 10 different scenarios and place them in an envelope
- Place students in small groups and have them select one scenario at a time.
- With each scenario, the group will record their choice and then write 1-2 sentences about the opportunity cost that came with making that decision.

Discussion Questions:

- Why should people look at the opportunity cost of an action?
- How can we use opportunity cost in a non-monetary context?
- What is the opportunity cost of showing up to class? What is the opportunity cost of not showing up to class?
- What are some reasons that companies and individuals should be aware of opportunity costs?
- How might opportunity cost affect comparative advantage?

Resource Link:

https://docs.google.com/document/d/1si70X66Cla2JwPan1ThBvTZ_4eta5DfwyP7_UDOCdH8/copy

Time:

15 Minutes

Type:



Required Resources:

- Scenario Slips

Planning Prom

Students will work in groups to pick a band, location and refreshments/decorations for their schools prom. Once all the groups have chosen their options they will discuss with other groups in order to get the best bang for their buck.

Discussion Questions:

- What strategies did you use to make your initial suggestions?
- Did anyone have to give up one of their ideas in order to please the group?
- What challenges did you have when you brought your ideas to the whole class?
- In what ways is this problem similar to economizing problems faced by your family? In what ways is it different?

Resource Link:

<http://www.themint.org/teachers/planning-the-prom-1.html>

Time:

15 Minutes

Type:



Required Resources:

- Planning Prom WS

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Conclusion

Bring the group back together and have them all think about a situation today (in or out of class) that required a choice between two things hence came with an opportunity cost. Remind them that they will be making decisions for the rest of their lives and it is important to think about the opportunity cost that comes with those decisions.

Remind students that

- "Opportunity Cost" is what needs to be given up to get something.
- It is important to know that the price of a good is not the same as an opportunity cost.
- Each choice leads to another

Ask the students to turn to their shoulder partner and give an example of an opportunity cost they faced today. Ask a few groups to share out with the class.