

Chapter 3 Personal Financial Planning

Economics and You: Opportunity Cost

Directions Identify the opportunity costs in each of the following scenarios. What does one give up if another option is selected? Then answer the questions.

| Scenario | Option 1 Opportunity Cost | Option 2 Opportunity Cost |
|-----------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Earned \$150 – Option 1 – save the money toward college; Option 2 – spend it on a new winter jacket | | |
| Option 1 – go to the high school basketball game; Option 2 – go to the mall with friends | | |
| Option 1 – give donation to the American Red Cross; Option 2 – buy a nicer gift for a friend’s birthday | | |
| Business must reduce expenses Option 1 – cut the manager’s salary; Option 2 – fire three part-time employees | | |
| School budget did not pass Option 1 – Reduce staff; Option 2 – Cut two sports programs | | |

Name _____ Date _____ Class _____

1. Let's assume you just inherited \$15,000. What are your options and opportunity costs associated with each option?

2. When it comes time for you to vote in local, state, and federal elections, how will you use the concept of opportunity cost?
