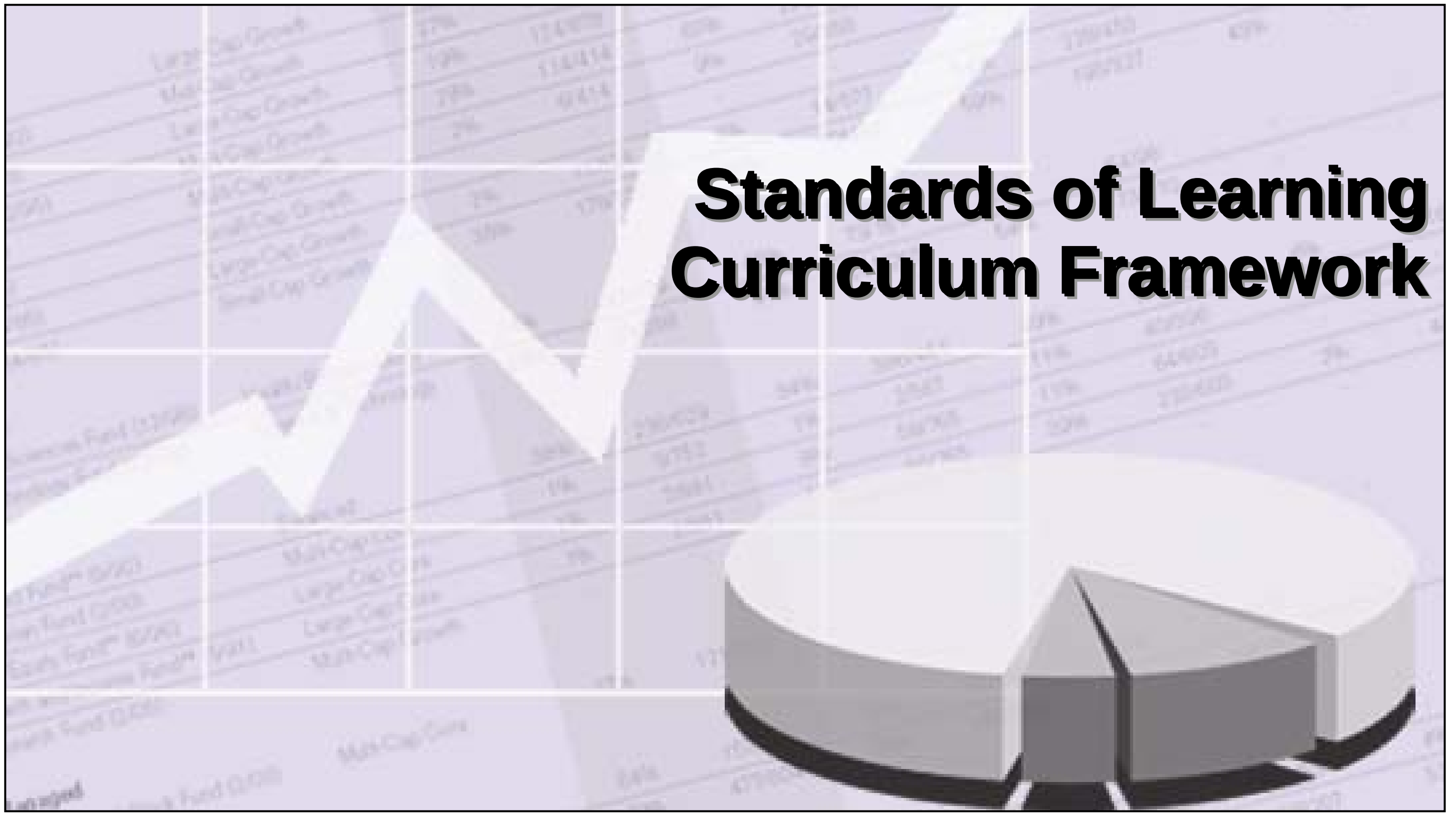

Standards of Learning Curriculum Framework

Economics and Personal Finance

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STANDARD EPF.1a

The student will demonstrate knowledge of basic economics concepts and structures by

a) describing how consumers, businesses, and government decision-makers face scarcity of resources and must make trade-offs and incur opportunity costs.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Scarcity is the condition that exists when there are not enough resources to satisfy all of the competing uses. It exists because human wants for goods and services exceed the quantity of goods and services that can be produced from all available resources. Resources are scarce; therefore consumers, businesses, and government decision-makers are forced to make choices. All choices have opportunity costs. Choices involve trading off the expected value of one opportunity against the expected value of its best alternative.	What is scarcity? Why do choices result in opportunity costs? How do consumers, businesses, and government decision-makers face scarcity of resources?	Scarcity is the condition of not being able to have all the goods and services one wants. It exists because human wants for goods and services exceed the quantity of goods and services that can be produced from all available resources. The opportunity cost of a choice is the value of the best alternative given up. Consumers face scarcity and must make choices and incur opportunity costs. For example, a consumer with two hours of free time cannot go ice skating for two hours and see a movie. Whatever choice is made, the alternative given up is the opportunity cost. Businesses face scarcity and must make choices and incur opportunity costs. Suppose a grocery is deciding whether to add a café or a pharmacy. It only has space for one. It makes a choice; the one not selected is the opportunity cost. Governments face scarcity and must make choices and incur opportunity costs. For example, money spent on roads cannot be spent on education—or whatever would be the next best alternative. A tradeoff is not an all-or-nothing decision. For example, government could choose to trade off some money for roads to spend more on education.	Identify a problem, consider alternatives, and identify trade-offs. Apply specific economics concepts to current events.

STANDARD EPF.1b

The student will demonstrate knowledge of basic economics concepts and structures by
b) explaining that choices often have long-run unintended consequences.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Choices made by individuals, firms, or government officials often have long-run consequences that can partially or entirely offset the initial effects of their decisions.	What is an unintended consequence?	People make decisions and governments make policies which sometimes have completely unexpected results, called unintended consequences. For example, off the coast of Florida, old tires were used to build reefs to attract fish; unfortunately, over time, the tires began to disintegrate, polluting the water, and the tires had to be removed.	Analyze individual and/or governmental actions for unintended consequences.

STANDARD EPF.1c

The student will demonstrate knowledge of basic economics concepts and structures by
c) describing how effective decision-making requires comparing the additional costs (marginal costs) and additional benefits (marginal benefits).

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Few choices are all-or-nothing decisions. Most choices involve doing a little more or less of something.	What is marginal benefit? What is marginal cost? How can marginal benefit and marginal cost be used to improve decision-making?	Marginal benefit is the change in total benefit resulting from an action. Marginal cost is the change in total cost resulting from an action. As long as the marginal benefit of an activity exceeds the marginal cost, people are better off doing more of it; when the marginal cost exceeds the marginal benefit, they are better off doing less of it. For example, what is the marginal benefit of one more hour of exercise? Suppose the marginal cost is one more hour of study? To determine the best level of consumption of a product or whether to participate in an activity, people must compare the additional benefits with the additional costs of consuming or participating a little more or a little less.	Identify a problem, list alternatives, weigh costs and benefits of each alternative, and make a decision.

STANDARD EPF.1d

The student will demonstrate knowledge of basic economics concepts and structures by
d) identifying factors of production.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The factors of production are the productive resources used to produce goods and services. They include natural resources, human resources, capital resources, and entrepreneurship.	What are the factors of production?	There are four factors of production. **Natural resources** are “gifts of nature” and exist without human intervention. **Human resources** refer to the effort of people which is applied to the production of goods and services. There are two types of **capital resources**. Physical capital refers to manmade goods, such as tools, which are used to produce other goods. Human capital refers to the skills and knowledge a person has acquired through experience and/or education. **Entrepreneurs** are individuals who are willing to take risks, to bring the other resources together and develop new products, and start new businesses. They recognize opportunities, like working for themselves, and accept challenges. Entrepreneurs accept the risks in organizing resources to produce goods and services because they expect to earn a profit.	Apply specific economics concepts and principles to current events. Categorize specific resources.

STANDARD EPF.1e

The student will demonstrate knowledge of basic economics concepts and structures by
e) comparing the characteristics of market, command, traditional, and mixed economies.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A variety of methods can be used to allocate goods and services. People acting individually or collectively through government choose which methods to use to allocate different kinds of goods and services. People in all economies must answer three basic questions: What goods and services will be produced? How will these goods and services be produced? Who will consume them? National economies vary in the extent to which they rely on government directives (central planning) and signals from private markets to allocate scarce goods, services, and productive resources.	What are the three basic economics questions? How does each type of economy answer the three basic economic questions?	The three basic economics questions are 1. What goods and services will be produced? 2. How will these goods and services be produced? 3. Who will consume these goods and services? In a command economy the government or other central authority answers all of the questions. In a traditional economy, the answer to all questions is "What has always been done." In a market economy • consumers decide what will be produced by casting their "dollar votes" • producers choose the most profitable method of production • goods and services are consumed by those who are willing and able to pay the market price. In a market economy, scarce goods and services are allocated through the influence of prices on production and consumption decisions. A mixed economy is a combination. The United States is primarily a market economy; however, since it has some elements of government involvement (e.g., taxation and regulation) it is sometimes called a mixed economy. Most of the world's economies today are mixed economies and exist on a continuum between market and command. Some lean toward market; others lean toward command.	Weigh costs and benefits. Create and interpret diagrams, tables, and charts. Identify, analyze, and interpret primary and secondary sources, documents, records, and data. Apply specific economics concepts and principles to current events.

STANDARD EPF.1f

The student will demonstrate knowledge of basic economics concepts and structures by
f) identifying Adam Smith and describing the characteristics of a market economy.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Adam Smith, author of *The Wealth of Nations*, is often called the "father of economics." A market economy has certain basic characteristics including private ownership of resources, prices determined in markets, competition among businesses, consumer sovereignty, profit motive, and limited government.	What were some of Adam Smith's economic theories? What are the characteristics of a market economy, and why is each important?	Adam Smith believed that people, acting in their own self-interest, would work hard and produce what consumers want as if directed by an invisible hand. Smith argued for trade, saying it opened new markets where surplus goods could be sold and allowed for cheaper goods to be imported. Smith believed that competition among businesses would keep prices in check. Smith believed there was a limited but important role for government to do things such as enforce contracts, grant patents and copyrights, and provide public works such as roads. Smith observed that specialization and division of labor in a pin factory allowed workers to produce many times more pins than if each worker had been working alone. Market economies are characterized by • private ownership of resources, which provides incentives for the owners of resources to weigh the value of present uses against the value of conserving the resources for future use • competition among businesses, which tends to lower prices and raise quality • prices determined in the marketplace through the interaction of supply and demand • consumer sovereignty, the concept that consumers' "dollar votes" tell businesses what to produce • profit motive, an incentive for businesses to produce what consumers demand and to produce those goods and services efficiently—keeping costs down—in hopes of earning greater profit • limited government that acts as a referee—protecting consumers, workers, the environment, and competition in the marketplace.	Apply specific economics concepts to current events. Analyze editorial cartoons and other graphic media. Identify, analyze and interpret primary and secondary sources, documents, records and data.

STANDARD EPF.2a

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
a) describing how consumers, producers, workers, savers, investors, and citizens respond to incentives.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
People respond to positive and negative incentives. Incentives influence people's behavior. People respond to incentives in order to allocate their scarce resources in ways that provide the highest possible returns to them.	What is an incentive? How do incentives influence behavior? How do consumers, producers, workers, savers, investors, and citizens respond to incentives?	A positive incentive is a reward or other enticement that encourages a behavior (e.g., prize, wages). A negative incentive is a penalty that discourages a behavior (e.g., library fine, parking ticket). Consumers, producers, workers, savers, investors, and citizens respond to incentives. For example, • value and/or a lower price is an incentive for consumers • profit is an incentive for producers • pay and benefits are incentives to workers • interest earned is an incentive for savers • capital gain is an incentive for investors (e.g., buying at $10 and selling at $15 results in a $5 capital gain) • citizens have an incentive to vote for politicians who share their views • interest groups have an incentive to seek to influence politicians to vote in ways that benefit their group.	Analyze editorial cartoons and other graphic media. Apply specific economics concepts to current events. Identify examples of incentives. Identify examples of consumer incentives and defend your selections.

STANDARD EPF.2b

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
b) explaining how businesses respond to consumer sovereignty.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Businesses must respond to the wishes of consumers in order to succeed.	What is consumer sovereignty? How do consumers tell businesses what they want?	Consumer sovereignty is the concept that consumers rule. In order to succeed, businesses must produce goods and services that consumers are willing and able to buy. Consumers tell businesses what they want through their dollar votes—that is, what they buy.	Use the Internet to identify products that are no longer produced, and explain why this is so.

STANDARD EPF.2c

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
c) identifying the role of entrepreneurs.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The introduction of new products and production methods by entrepreneurs is an important form of competition and is a source of technological progress and economic growth.	What are entrepreneurs, and what is their role in a market economy? What are important incentives for entrepreneurs? How do entrepreneurs benefit society?	Entrepreneurs are people who take calculated risks in order to start new businesses and develop innovative products and processes. Entrepreneurs accept the risk of organizing resources to produce goods and services, and they expect to earn profits. Entrepreneurs earn profits when buyers purchase the products they sell at prices higher than the costs of production. Entrepreneurs incur losses when buyers do not purchase the products they sell at prices high enough to cover the costs of production. Profit is an important incentive that leads entrepreneurs to accept the risks of business failure. Independence in decision-making is another incentive important to entrepreneurs. Entrepreneurs increase competition by bringing new goods and services to market or delivering products in innovative ways. They often foster technological progress and economic growth.	Research specific entrepreneurs. Analyze primary and secondary sources related to entrepreneurship. Interview local entrepreneurs.

STANDARD EPF.2d

The student will demonstrate knowledge of the role of producers and consumers in a market economy by

d) comparing the costs and benefits of different forms of business organization, including sole proprietorship, partnership, corporation, franchise, and cooperative.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Businesses may be organized as sole proprietorships, partnerships, corporations, franchises, or cooperatives. Each form of business has both costs and benefits.	What are the characteristics of each form of business organization? What are the costs and benefits of each form of business?	**Sole Proprietorship** • Benefits: The owner makes all decisions and keeps all profits. • Costs: The owner generally has limited financial resources. The owner also faces unlimited liability, which means if the company fails, the owner can lose personal assets along with business assets. **Partnership** • Benefits: Owners make decisions and keep the profits. They share responsibilities, and each has a unique set of skills and expertise. • Costs: Owners face unlimited liability, limited financial resources, and potential conflict with partners. **Corporation** • Benefits: Corporations are able to accumulate sufficient financial capital to make large-scale investments and achieve economies of scale (i.e., bringing down cost of production by producing in volume). They also have limited liability, meaning shareholder risk is limited to their share of ownership in the corporation. The corporation transcends the lives of those persons who created it. • Costs: Corporations face tax implications (e.g., double taxation—profits are taxed at the corporate level and again when distributed to shareholders as dividends). Corporations are more expensive to establish and are governed by more regulations.	Research local newspapers, direct mailings, telephone books, and other sources, and locate examples of local businesses. Categorize the businesses by type of organization, and defend your choices. Interview local business owners to determine how each business is organized and what the owners believe are the costs and benefits of his/her chosen form of organization.

STANDARD EPF.2d (continued)

The student will demonstrate knowledge of the role of producers and consumers in a market economy by

d) comparing the costs and benefits of different forms of business organization, including sole proprietorship, partnership, corporation, franchise, and cooperative.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		Cooperative • Benefits: Cooperatives are member-owned and operate for members' benefit (e.g., credit unions, agricultural cooperatives). Members enjoy discounted products and/or services, may receive refunds at the end of the year, face no personal liability, have a vote in how the business is run, and have interests similar to other members. • Costs: Decisions made by the group may not suit all members, and the decision-making process may be more complex and slower than in other organizations. **Franchise** • Benefits: Training and marketing is provided by the franchisor. The franchisee gains the exclusive right to sell in an area and benefits from product development. • Costs: The franchisee pays high franchise fees, enjoys a limited product line, and operates under strict guidelines and standards. Most businesses in the United States are organized as sole proprietorships. Corporations generate the most income.	

STANDARD EPF.2e

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
e) describing how costs and revenues affect profit and supply.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Profit is an incentive and reward for business owners. Profit is the amount remaining when all costs are subtracted from all revenues. Rising costs tend to decrease profits and/or lead to higher prices of goods and services. Falling costs tend to increase profits and/or lead to lower prices of goods and services. A change in the cost of production influences how much of a good or service will be produced (supplied).	What is the difference between cost and price? What is the difference between revenue and profit? How is profit calculated? How can changes in costs of production affect profits and the price of the goods or services produced? How do changes in costs of production affect the quantity of a good or service that will be produced (supplied)?	Cost is the money spent for the inputs used (e.g., labor, raw materials, transportation, energy) in producing a good or service. Revenue is the income generated by the sale of goods and services (price × quantity). Price is the amount consumers pay for a good or service. Profit = Total Revenue − Total Cost When costs of inputs rise, (a) profits will fall and/or (b) the price of the good or service will be increased and sales may decrease. (For example, when the cost of lumber goes up, homebuilder profits will fall or the price of houses will go up.) When costs decrease through a reduction in the cost of inputs (a) profits can increase or (b) the price of the good or service can be decreased and sales may increase. (For example, when the cost of lumber decreases, homebuilder profits will increase and/or the price of houses will decrease.) Supply refers to the quantity of a good or service that will be brought to market at every price at a given time. When cost of production rises, supply will decrease; when cost of production decreases, supply will increase.	Calculate total revenue, total cost, and profit.

STANDARD EPF.2f

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
f) describing how increased productivity affects costs of production and standard of living.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Increased productivity leads to reduced costs of production and higher standards of living for societies.	What is productivity? What is an increase in productivity? How do increases in productivity affect costs of production? What is economic growth? How do increases in productivity affect economic growth? What is Gross Domestic Product? What is Gross Domestic Product per capita? What is standard of living? How does economic growth affect a nation's standard of living?	Productivity refers to output per worker. Productivity is measured by dividing output (goods and services) by the number of inputs used to produce the output. An increase in productivity occurs when the same output can be produced with fewer resources. Since fewer resources are used, costs of production are reduced. (For example, when Henry Ford introduced the assembly line, cars could be built with many fewer man-hours, an increase in productivity. Because less was spent on labor, the cost of production went down, the price of cars went down, and more cars were sold.) Gross Domestic Product (GDP) is a basic measure of a nation's economic output and income. It is the total market value, measured in dollars, of all final goods and services produced in the economy in one year. Economic growth is a sustained rise in a nation's production of goods and services. Economic growth is measured by real Gross Domestic Product (GDP). Real GDP per capita is the measure most often used to measure standard of living. Real GDP per capita is calculated by dividing a nation's real GDP by its population. It is what each person's share would be if the total output of a country was divided equally among its citizens.	Compare the GDP and GDP per capita among a variety of countries. Analyze the impact of increases in productivity on the standard of living. Calculate changes in productivity.

STANDARD EPF.2f (continued)

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
f) describing how increased productivity affects costs of production and standard of living.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		An increase in real GDP over time indicates economic growth, which means the nation is producing more goods and services than the year before. A decrease in real GDP over time indicates economic contraction. As the productivity of labor improves, an economy grows, real GDP per capita increases, and standard of living rises. Economic growth has been the vehicle for alleviating poverty and raising the standard of living.	

STANDARD EPF.2g

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
g) examining how investment in human capital, capital goods, and technology can improve productivity.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Increases in productivity result from advances in technology and improvements in physical and human capital. Investment in physical and human capital can increase productivity and thus raise future standards of living by increasing economic growth.	How do investments in human capital, capital goods, and technology improve productivity?	People invest in their human capital through education, training, and experience. Through investment in human capital, workers learn how to produce more efficiently, thus increasing productivity. Workers can also improve their productivity by using physical capital (or real capital), such as tools and machinery. Research and development can lead to increased productivity. Technological change can lead to increased productivity. Improvements in processes and procedures can increase productivity. The rate of productivity increase is strongly affected by the incentives that reward successful innovation and investments in research and development and in physical and human capital. Economic growth varies across countries because of differences in human and physical capital investments, technologies, and institutional arrangements and incentives.	Research technological changes to identify improvements in productivity. Cite examples of changes in productivity throughout history resulting from improvements in processes and procedures.

STANDARD EPF.2h

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
h) describing the effects of competition on producers, sellers, and consumers.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Competition among sellers lowers costs and prices. Competition also encourages producers to produce more of what consumers are willing and able to buy. Competition among consumers increases prices and allocates goods and services to those who are willing and able to pay the most for them.	How does competition among sellers affect consumer prices and consumer choices? How does competition among consumers affect prices?	Competition among producers and sellers leads to more choices, improved quality, and lower prices as producers seek to attract customers away from other businesses. Competition among consumers leads to higher prices and allocates goods to those willing to pay the most (e.g., several buyers bidding at an auction push the price up).	Analyze the effects of competition among competing firms. Analyze the benefits to the consumer of competition among sellers.

STANDARD EPF.2i

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
i) explaining why monopolies or collusion among sellers reduces competition and raises prices.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Monopolies and collusion among sellers eliminate competition. In industries with less competition, prices are likely to be higher.	What are the characteristics of competitive and uncompetitive markets? What is an industry? How are prices affected when markets are more competitive? Less competitive? What is collusion?	An industry is a distinct group of productive or profit-making enterprises sharing similar products or services (e.g., the automobile industry). The level of competition in an industry is affected by the ease with which new producers can enter the industry and by consumers' information about the availability, price, and quantity of substitute goods and services. Collusion among buyers or sellers reduces the level of competition in a market. Collusion is more difficult in markets with large numbers of buyers and sellers. Markets with perfect competition have many buyers with perfect information and sellers all selling identical products. Sellers here have no market power—no control over the market price. (For example, a grower of plain white rice can only sell at the market price; no one will pay more because they can get plain white rice from any supplier at that price.) A monopoly has one supplier of a product. The seller here has market power and can control both price and quantity. When there are few sellers (oligopoly), competition is limited, and producers are able to gain more control of the market.	Apply concepts to current markets, for example: • Identify industries which are less competitive than others. • Compare competition among industries.

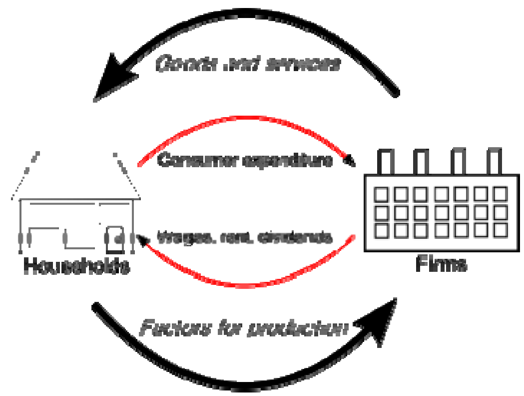
STANDARD EPF.2i (continued)

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
i) explaining why monopolies or collusion among sellers reduces competition and raises prices.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		When one producer can supply total output in a market at a cost that is lower than when two or more producers divide production, competition may be impossible. (This is known as a natural monopoly.) In the absence of competition, government regulations may then be used to try to control price, output, and quality. Collusion occurs when competing firms make a secret agreement to try to control a market. Collusion (practiced by cartels) is illegal in the United States.	

STANDARD EPF.2j

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
j) illustrating the circular flow of economic activity.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy. One person's spending is other people's income. When consumers make purchases, goods and services are transferred from businesses to households in exchange for money payments. That money is used in turn by businesses to pay for natural resources, human resources, and capital goods and to pay taxes. The circular flow model illustrates this flow of economic activity.	What does the circular flow model show? How does the circular flow model illustrate the way in which resources, goods and services, and money flow among individuals, businesses, and governments in a market economy?	The circular flow model illustrates the way in which resources, goods and services, and money flow among individuals, businesses, and governments in a market economy.  In a market economy, resources are owned by the households; this includes natural, capital, and human resources and entrepreneurial skills. Individuals in households may take their resources to market (called the factor market, referring to the factors of production) and sell them; they may choose not to sell their resources (as in people who choose not to work for pay). Businesses go to the factor market and buy or hire the resources they need to produce goods and services.	Interpret charts and graphs. Analyze current events as they apply to the circular flow model.

STANDARD EPF.2j (continued)

The student will demonstrate knowledge of the role of producers and consumers in a market economy by
j) **illustrating the circular flow of economic activity.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		Households generally receive income from the sale of resources; they can spend this money or save it. Households may take their income to the goods and services market to buy the things they want. Firms in the goods and services market take the money from those sales to order more from the businesses. The businesses buy more resources to produce more and the money continues to flow through the economy. Government can be added to the simple circular flow as it buys goods, services, and resources in order to produce certain goods and services. Tax on income and sales is collected by the government to pay for government-provided goods and services (e.g., interstate highways, postal service). Financial institutions can be added to the economic model to show how savings find their way back into the economy through borrowing and investment.	

STANDARD EPF.3a

The student will demonstrate knowledge of the price system by
k) examining the laws of supply and demand and the determinants of each.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
When supply or demand changes, market prices adjust, affecting incentives. Prices send signals and provide incentives to buyers and sellers. Factors (other than the price of the good or service) which can influence demand or supply are called determinants.	What is supply? What is the law of supply? What are the determinants of supply? What is demand? What is the law of demand? What are the determinants of demand? What is the role of prices? How does a price change affect incentives for buyers and sellers?	Supply is the willingness and ability to bring to market (produce/sell) specific quantities of a good or service at different prices in a specific time period, all things remaining the same. The law of supply states that producers will increase the quantity supplied at higher prices and decrease the quantity supplied at lower prices, if everything else remains the same. When graphing supply and demand, this is known as a change in quantity supplied. Determinants of supply can change supply. A change in supply results from • changes in the prices of productive resources used to make the good or the service • changes in the technology used to make the good or the service • changes in the profit opportunities available to producers by selling other goods or services • changes in the number of sellers in a market • changes in the expectations of producers. When graphing, this is known as a change in supply. Demand is the willingness and ability to buy specific quantities of a good or service at different prices in a specific time period, all things remaining the same. The law of demand states that people will buy more of a good or service at lower prices and less at higher prices, if everything else remains the same. When graphing, this is known as a change in quantity demanded.	Create and interpret a supply-and-demand graph.

STANDARD EPF.3a (continued)

The student will demonstrate knowledge of the price system by

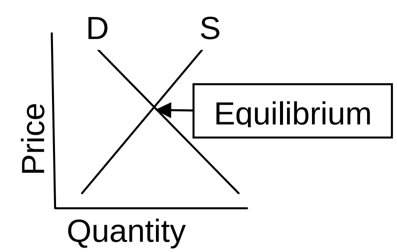
a) **examining the laws of supply and demand and the determinants of each.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		Determinants of demand can change demand. A change in demand results from • a change in consumers' incomes • a change in consumers' preferences • a change in the prices of related goods or services (complements or substitutes) • a change in the number of consumers in a market • a change in the expectations of buyers. When graphing, this is known as a change in demand. Changes in supply or demand are illustrated by shifts in the supply or demand schedule (curve). These changes will affect the equilibrium price and /or equilibrium quantity. Prices provide a signal to both buyers and sellers. For example, rising oil prices provide an incentive for consumers to drive less or buy more efficient cars and an incentive to producers to find more oil. Rising prices for labor provide an incentive for employers to substitute robots or other technology for labor.	

STANDARD EPF.3b

The student will demonstrate knowledge of the price system by

l) explaining how the interaction of supply and demand determines equilibrium price.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Markets exist when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services. Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives.	What is a market? How are market prices determined? What is equilibrium price? How can a supply-and-demand graph be used to find equilibrium price? What happens when price for a good or service is higher than the equilibrium price? What happens when price for a good or service is lower than the equilibrium price? How does the graph show what happens to the equilibrium price when one of the determinants of demand or supply changes?	A market exists when buyers and sellers exchange goods and services. Market prices are determined through the buying and selling decisions made by buyers and sellers. The equilibrium price of a good or service is the one price at which quantity supplied equals quantity demanded. Equilibrium price and quantity are revealed on a supply-and-demand graph where the supply and demand curves intersect.  If the price is above the equilibrium price, buyers will purchase less than is available, and suppliers will offer more, creating a surplus. When a surplus exists, prices will decrease until they reach the equilibrium price. If the price is below the equilibrium price, buyers will want to buy more than is available, and suppliers will want to supply less. This will result in a shortage. Buyers will bid the price up until it reaches equilibrium price.	Create and interpret supply-and-demand graphs.

STANDARD EPF.3b (continued)

The student will demonstrate knowledge of the price system by

b) **explaining how the interaction of supply and demand determines equilibrium price.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		Shortages of a product usually result in price increases in a market economy; surpluses usually result in price decreases. When one of the determinants of demand changes, the demand curve will shift, resulting in a new equilibrium price and quantity. When one of the determinants of supply changes, the supply curve will shift, resulting in a new equilibrium price and quantity.	

STANDARD EPF.3c

The student will demonstrate knowledge of the price system by
m) describing the elasticity of supply and demand.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A variety of factors influence the degree to which buyers and sellers respond to price changes.	What is elasticity? What determines price elasticity of demand? What determines price elasticity of supply?	Elasticity describes the degree to which buyers and sellers respond to price changes. The more elastic supply or demand, the more responsive consumers and producers are to price changes (e.g., prices go up 10% and quantity demand goes down by 20%). The more inelastic supply or demand, the less responsive producers are to price changes. Price inelasticity means that consumers or producers are not very responsive to price changes (e.g., prices go up by 10% and quantity demanded goes down by 2%). Price inelastic demand is typical for goods or services that are necessities, have no good substitutes, and/or are inexpensive relative to one's income (e.g., insulin, electricity, salt). Elasticity of supply is determined by the availability of the raw materials needed for production, available production capacity, and the time period required to produce more of the good or service. For example, the supply of seats in a football stadium is fixed; thus the supply is inelastic (higher prices offered for tickets will not produce more seats in the short run). The supply of lawn mowing service is elastic. At a higher price more people will be willing to supply the service. On the other hand, if there is an increase in the price of strawberries, farmers cannot increase their production immediately, so the supply will be inelastic. Price elastic demand is typical for goods or services that are luxuries or have good substitutes (e.g., expensive cars, a brand of soft drink).	Create and interpret supply-and-demand graphs. Conduct a market survey to determine the elasticity of several products (e.g., tolls on highways).

STANDARD EPF.3d

The student will demonstrate knowledge of the price system by
n) examining the purposes and implications of price ceilings and price floors.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Government-enforced price controls set above or below the equilibrium price distort price signals and incentives to producers and consumers. Price ceilings cause persistent shortages, whereas price floors cause persistent surpluses. Price controls are often advocated by special interest groups.	What are government-enforced price ceilings and price floors? Why might the government institute a price ceiling or price floor? What are the effects of government-enforced price ceilings and price floors?	**Price Ceilings** A price ceiling sets the highest price that can be charged for a good or service. The price is generally set below the equilibrium price and results in a shortage. Rent control is an example of setting a price ceiling. Some cities instituted rent controls when housing prices were rising rapidly and current city residents could no longer afford rent. Rent controls have resulted in a shortage of apartments because they require owners to accept a price that is lower than the equilibrium price. Rather than accept the low price, owners often convert the apartments to condominiums and sell them, thus decreasing the supply of available apartments. **Price Floors** A price floor sets the lowest price at which one can buy a good or service. Price floors are generally set above the equilibrium price and result in a surplus. Milk support pricing is an example of setting a price floor. Government wanted to be sure that dairy farmers would be guaranteed a price high enough to keep them in business. Since the price is higher than the equilibrium price, consumers buy less milk and dairy farmers supply more milk, creating a surplus of milk.	Research examples of price ceilings and floors to determine the impact on specific markets.

STANDARD EPF.4a

The student will demonstrate knowledge that many factors affect income by
a) **examining the market value of a worker's skills and knowledge.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Income for most people is determined by the market value of the productive resources they sell.	What determines market value of a resource? How is the market value of a worker's skills and knowledge determined?	To earn income, people sell productive resources. These include their labor, capital, and natural resources and entrepreneurial talents. In a market economy, the market value of a resource is determined primarily by the supply and demand for that resource. A wage or salary is the price of labor; it usually is determined by the supply of and demand for the skills and knowledge (human capital) a person has.	Research potential careers to determine required knowledge, skills, and starting salaries.

STANDARD EPF.4b

The student will demonstrate knowledge that many factors affect income by

b) **identifying the impact of human capital on production costs.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Businesses seek to lower production costs in order to increase profits. As workers invest in their own human capital and become more skilled, they become more productive (i.e., can produce more in the same amount of time) which can lower the cost of production.	What is human capital? How do improvements in human capital affect productivity? How do improvements in productivity affect cost of production?	When people improve their knowledge and skills through education and/or experience, it is called an investment in their human capital. Higher skilled workers increase productivity by producing more in the same period of time than lower skilled workers. Increases in productivity tend to lower cost of production. If four workers can accomplish the same amount of work in a day as five workers, this is an increase in productivity which saves the business the wages of one worker.	Calculate an increase in productivity. Create and interpret charts and graphs illustrating increase in productivity.

STANDARD EPF.4c

The student will demonstrate knowledge that many factors affect income by

c) **explaining the relationship between a person's own human capital and the resulting income potential.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
People's incomes, in part, reflect choices they have made about education, training, skill development, and careers. People with few marketable skills are likely to earn much less than people with more skills. When people improve their knowledge and skills through education and/or experience, it is called an investment in their human capital. What workers earn depends primarily on the market value of what they produce and how much they add to its production. More productive workers—those who can produce more in a given period of time—are likely to be of greater value to employers and earn higher wages than less productive workers. Employers are willing to pay wages and salaries to workers because they expect to sell the goods and services those workers produce at prices high enough to cover the wages and salaries and all the other costs of production. Changes in the prices for productive resources affect the incomes of the owners of those productive resources.	What is an investment in human capital, and how might it affect one's income? Why might skills and knowledge make a worker more productive? Why might employers pay higher wages to more productive workers? What is market value? How does the market value of what one produces affect one's income?	Unskilled workers earn low pay because many people can qualify for that work; employers do not have to pay more to attract these workers. As people gain human capital (knowledge and/or skills) and practice in a field, they become more efficient and productive in that field. This can lead to higher income because employers prefer more productive workers. Market value is the price a seller can expect to receive for a product in a competitive marketplace. What workers earn depends primarily on the market value of the goods and/or services they produce (i.e., what the market is willing and able to pay) and how much they add to the process of its production. For example, a surgeon earns more than the people who assist her in surgery because she adds the most value to the production of that service. Workers with skills and education also earn more when there is a smaller supply of people who can do the job because businesses and consumers who want those higher skills must pay more. People with more skills and knowledge tend to earn more. For this reason, many people choose to invest in their human capital through education and/or training.	Research the effect of education, training, and experience on income.

STANDARD EPF.4d

The student will demonstrate knowledge that many factors affect income by

d) **describing how changes in supply and demand for goods and services affect income.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Changes in supply and demand for specific goods and services often affect the incomes of the workers who make those goods and services.	What is derived demand? How can increases or decreases in the demand for a good or service affect the income of the producers of those goods and services?	The demand for resources, including labor, comes from, or is derived from, the demand for the goods and services that are produced from these resources. This condition is known as derived demand. An increase in the demand for a good or service will lead to an increase in demand for the resources needed to produce that good or service. For example, an increase in demand for new homes will increase the demand for carpenters. The increase in demand for carpenters will likely lead to an increase in the income of carpenters. A decrease in the demand for a good or service will lead to a decrease in the demand for the resources needed to produce that good or service. This can lead to a decrease in the income of those who supply raw materials and other factors or production. For example, the use of computers may lead to decreased demand for notebook paper, which would lead to a decrease in income for wood pulp producers who sell to paper mills. Excess supply (surplus) can lead to a decrease in demand for workers to produce additional supply. For example, demand for auto workers decreases when sluggish sales results in excessive inventories of automobiles.	Identify current events for examples of changes in derived demand.

STANDARD EPF.5a

The student will demonstrate knowledge of a nation's economic goals, including full employment, stable prices, and economic growth, by
a) **describing economic indicators, such as gross domestic product (GDP), consumer price index (CPI), and unemployment rate.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by households, firms, government agencies, foreign markets, and others in the economy. Economic goals include • full employment, which is measured by the unemployment rate • stable prices, measured by indices such as the Consumer Price Index • economic growth, measured by real gross domestic product (GDP).	What indicators measure economic performance? What is gross domestic product (GDP)? What is real GDP? What is GDP per capita? What is the most commonly used measure of price-level changes? What measures unemployment? Why are these measures imperfect?	Gross domestic product (GDP) is a basic measure of a nation's economic output and income. It is the total market value of all final goods and services produced in the economy in one year. Nominal GDP is measured in current dollars; thus an increase in GDP may reflect not only increases in the production of goods and services, but also increases in prices. GDP adjusted for price changes is called real GDP. Economic growth is measured by real gross domestic product. Real GDP per capita is a measure that permits comparison of material living standards over time and among people in different nations. It is calculated by dividing real GDP by the population. The potential GDP for a nation is determined by the quantity and quality of its natural resources, the size and skills of its labor force, and the size and quality of its capital resources. The consumer price index (CPI) is the most commonly used measure of price-level changes. It can be used to compare the price level in one year with price levels in earlier or later periods. (It is an imperfect measure because the market basket of goods included cannot reflect everyone's spending, and it does not take into account improvements in those products.) The unemployment rate indicates the level of unemployment in the country. The unemployment rate is the percentage of the labor force (not population) who are not working and are actively seeking paid work. The labor force includes persons over age 16 who are working for pay or actively seeking paid work. The unemployment rate is an imperfect measure because it does not (1) include workers whose job prospects are so poor that they are discouraged from seeking jobs or (2) reflect under-employed people such as part-time workers who are looking for full-time work.	Research current economic indicators. Calculate GDP per capita for the United States. Compare GDP and GDP per capita of countries such as China, India, Switzerland, and Japan.

STANDARD EPF.5b

The student will demonstrate knowledge of a nation's economic goals, including full employment, stable prices, and economic growth, by
b) **describing the causes and effects of unemployment, inflation, and reduced economic growth.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
When total demand is greater than the value of a nation's output of final goods and services, GDP rises, inflation occurs, and/or employment rises. When desired expenditures for consumption, investment, government spending, and net exports are less than the nation's output of final goods and services, GDP decreases and inflation and/or employment decreases. Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others. In the long run, inflation results from an increase in a nation's money supply that exceeds an increase in its output of goods and services.	What are the causes and costs of unemployment? What is inflation? What are the effects of inflation? What is deflation? What are the effects of deflation? What are the causes and effects of reduced economic growth?	Unemployment rates differ for people of different ages, races, and gender. This reflects differences in work experience, education, training, and skills. Unemployment can be caused by people changing jobs, seasonal fluctuations in demand, changes in the skills needed by employers, or cyclical fluctuations in the level of national spending. Unemployment has costs for society as well as for individuals. When unemployment is high, the economy will not produce as much as it could. Inflation is an increase in the general level of prices. It reduces the value of money. When people's incomes increase more slowly than the inflation rate, their purchasing power declines. Cost-push inflation occurs when businesses raise prices to cover increasing costs, such as higher oil prices or rising wages. Demand-pull inflation occurs when demand for goods and services is greater than the supply. This can occur when people, anticipating higher prices, buy more in the present and push for higher wages, causing a wage-price spiral. Inflation also results from increases in a nation's money supply that exceeds increases in its output of goods and services.	Create charts to compare historical levels of inflation, deflation, unemployment, and economic growth.

STANDARD EPF.5b (continued)

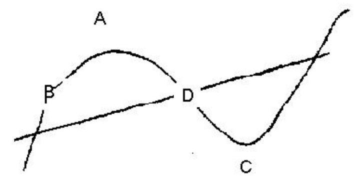
The student will demonstrate knowledge of a nation's economic goals, including full employment, stable prices, and economic growth, by

b) describing the causes and effects of unemployment, inflation, and reduced economic growth.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		The costs of inflation are different for different groups. Unexpected inflation hurts savers and people on fixed incomes; it helps people who have borrowed money at fixed rates of interest. It can help those who own tangible resources that increase in value (e.g., homes, land). Deflation is a decrease in the general level of prices. It increases the value of money and decreases the value of tangible assets such as homes. Deflation is generally accompanied by rising unemployment. Consumers, worried about the future, reduce spending, causing more unemployment. The process can become a downward spiral.	

STANDARD EPF.5c

The student will demonstrate knowledge of a nation's economic goals, including full employment, stable prices, and economic growth, by
c) describing the fluctuations of the business cycle.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The nation's economy experiences alternating periods of expansion (growth) and contraction (slowdown), called the business cycle. Each phase of the business cycle has certain characteristics.	What is the business cycle? What does a model of the business cycle look like? What are the phases of the business cycle and the characteristics of each? What is a recession? What is a depression?	The business cycle is the pattern of alternating periods of expansion (growth) and contraction (slowdown) in the economy. The model of the business cycle looks like a roller coaster going up and down but trending upward over time.  The business cycle has several phases. When the business cycle is moving upward it is in the *expansionary phase* (B), with unemployment decreasing and growth increasing. Ultimately, the economy will reach a *peak* (A), likely to be characterized by low unemployment and inflation. The economy will eventually begin to slow and enter a *contractionary phase* (D), with unemployment rising and growth slowing. Finally, the economy will bottom out in the phase known as the *trough* (C), where growth will be slow, prices low, and unemployment high. A prolonged contraction is called a recession; if it is especially long and severe it is called a depression. At some point, the economy will begin to grow again and enter the expansionary phase. Classical economists like Adam Smith believed the economy to be self-correcting in the long run. During the Great Depression, British economist John Maynard Keynes famously said, "In the long run we're all dead," and recommended government action to stimulate demand and get the economy going again.	Interpret diagrams, tables, and charts.

STANDARD EPF.5d

The student will demonstrate knowledge of a nation's economic goals, including full employment, stable prices, and economic growth, by
d) **describing strategies for achieving national economic goals.**

<table>
<tr><th>Essential Understandings</th><th>Essential Questions</th><th>Essential Knowledge</th><th>Essential Skills</th></tr>
<tr>
<td>Economic goals include full employment, stable growth, and stable prices. Government can pursue policies aimed at stabilizing the economy.</td>
<td>Why do market economies tend to have economic growth?

What can the government do to help the economy toward full employment, stable prices, and stable growth?</td>
<td>Market economies tend to grow because there are incentives which encourage people to work, entrepreneurs to bring innovations to market, and businesses to expand, pursuing increased profits.

When growth is slow and unemployment high, government can
• implement policies such as investment tax credits to encourage businesses to expand and hire more people
• implement job training programs to help the unemployed
• use fiscal policy (e.g., changes in federal taxes and spending) to help the economy toward full employment, stable prices, and stable growth.

The Federal Reserve System can use monetary policy to help the economy toward full employment, stable prices, and stable growth.

Ongoing governmental economic support includes
• working to assure the health of the nation's financial institutions through regulation and enforcement
• supporting unemployment insurance, which helps stabilize the economy in times of slow growth
• encouraging invention, innovation, and growth through patent and copyright laws
• promoting pure research (e.g., Human Genome Project) through grants and programs such as NIH (National Institutes of Health).</td>
<td></td>
</tr>
</table>

STANDARD EPF.6a

The student will demonstrate knowledge of the nation's financial system by
a) **defining the role of money.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services.	What is money? What are the characteristics of money? How does money make it easier to trade, borrow, save, invest, and compare the value of goods and services? What is the difference between fiat money and commodity money? What makes up the basic money supply in the United States?	Money is anything widely accepted as final payment for goods and services. Money has six characteristics: durability, portability, divisibility, uniformity, limited supply, and acceptability. Money acts as a medium of exchange, making trade easier. Money encourages specialization by decreasing the costs for exchange. Money acts as a store of value, making it easier to save and invest. Money acts as a measure of value, making it easier to compare the value of goods and services. Commodity money (e.g., gold coin) has value in itself, while fiat money (e.g., U.S. dollar) has value because the government has declared that it is acceptable for paying debts. The basic money supply in the United States is made up of currency, coins, and checking account deposits.	

STANDARD EPF.6b

The student will demonstrate knowledge of the nation's financial system by
b) **explaining the role of financial markets and financial institutions.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Financial markets bring together people who have money to lend and are willing to take risks to earn a return with people who want to borrow for a specific purpose. Financial institutions act as intermediaries by facilitating the interaction of borrowers and savers in financial markets.	What is a financial institution? What are the benefits of having financial institutions in the economy? What are some of the types of financial institutions? How do financial institutions channel funds from borrowers to savers? What is government's role in financial markets?	A financial institution is an organization that provides financial products and services to consumers. Financial institutions provide products like checking and other accounts that help consumers manage money. They provide services and advice to help consumers meet their financial goals. Financial institutions can provide a safe place for individuals to hold money, and they help channel money from savers to borrowers. Banks, credit unions, and insurance companies are examples of financial institutions. Financial institutions attract funds from savers by offering interest rates on savings. Financial institutions use depositors' savings to earn income by lending to borrowers or investing in other financial products. Financial institutions are able to pool the savings of many individuals in order to make loans to borrowers. Banks create money by lending. Government protects consumers in financial markets through regulation and enforcement by agencies such as the Securities and Exchange Commission and the Federal Reserve System.	Compare the services offered by various financial institutions.

STANDARD EPF.7a

The student will demonstrate knowledge of how monetary and fiscal policy influence employment, output, and prices by
a) **describing the purpose, structure, and function of the Federal Reserve System.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The Federal Reserve System, often called the Fed, is the central banking system of the United States. The goal of the Federal Reserve System is to help the economy achieve stable prices, full employment, and economic growth. The structure of the Federal Reserve System helps to ensure that regional information is represented in national policy decisions and that the Fed remains accountable to the people.	What is the goal of the Federal Reserve System? How is the Federal Reserve System structured? How does the Federal Reserve System achieve its goal? What are the tools the Federal Reserve System uses to influence overall levels of spending, employment and prices in the economy? What is the purpose of the supervisory and regulatory functions of the Federal Reserve System? What are some of the services of the Federal Reserve System?	The goal of the Federal Reserve System is to help the economy achieve stable prices, full employment, and economic growth. The Federal Reserve System's responsibilities include conducting monetary policy; supervising and regulating financial institutions; and providing services to depository institutions, the federal government, and the public. Twelve regional Federal Reserve Banks and their branch offices carry out the day-to-day responsibilities of the Federal Reserve System. The Board of Governors of the Federal Reserve System, whose members are appointed by the President of the United States and confirmed by the U.S. Senate, provides leadership for the Federal Reserve System. The Federal Open Market Committee (FOMC) is responsible for making monetary policy decisions. The FOMC is composed of members of the Board of Governors and presidents of the twelve Federal Reserve Banks. Monetary policy can lead to changes in the supply of money and the availability of credit. Changes in the money supply can influence overall levels of spending, employment, and prices in the economy. The major monetary policy tool of the Federal Reserve System is open market operations (purchases and sales of government securities). Other policy tools include increasing or decreasing the discount rate charged on loans it makes to banks (and other depository institutions) and raising or lowering reserve requirements for those same financial institutions. The Federal Reserve System supervises and regulates banks to promote the safety and soundness of the banking system, to foster stability in financial markets, and to ensure compliance with applicable laws and regulations. The Federal Reserve System provides other services including supplying paper money and coin to banks, processing checks and electronic payments, and protecting consumers through regulation and education.	Analyze actions taken by the Federal Reserve System, e.g., raising or lowering interest rates.

STANDARD EPF.7b

The student will demonstrate knowledge of how monetary and fiscal policy influence employment, output, and prices by

b) **describing government's role in stabilizing the economy.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Federal government fiscal policies, along with the Federal Reserve System's monetary policies, influence the overall levels of employment, output, and prices. Fiscal policy decisions are decisions to change the level of spending and tax levels by the federal government. These decisions are adopted to influence national levels of output, employment, and prices. The Federal Reserve System is a mix of public and private elements.	When would the government be likely to pursue expansionary fiscal policy? How would the fiscal policy tools be used in this case? When would the government be likely to pursue contractionary fiscal policy? How would the fiscal policy tools be used in this case? How does monetary policy affect the overall levels of prices, employment, and output?	Under conditions of slow growth or high unemployment, expansionary fiscal policy could stimulate the economy. In the short run, increasing federal spending and/or reducing taxes can promote more employment and output, but these policies eventually put upward pressure on the price level and interest rates. Under inflationary conditions, the government may choose contractionary fiscal policy to slow the economy. Decreased federal spending and/or increased taxes tend to lower price levels and interest rates, but they reduce employment and output levels in the short run. Monetary policy decisions by the Federal Reserve System lead to changes in the supply of money and the availability of credit. Changes in the money supply can influence overall levels of spending, employment, and prices in the economy. Monetary policy affects interest rates in the economy. Interest rates act as incentives that influence people's spending and saving decisions. To fight inflationary pressure, the Federal Reserve System could implement monetary policy that causes higher interest rates in the economy. Higher interest rates would discourage personal and business borrowing and spending and relieve inflationary pressure.	Create and interpret charts and graphs. Select and defend a position related to fiscal and monetary policies. Analyze the impact of fiscal and monetary policies on the economy.

STANDARD EPF.7c

The student will demonstrate knowledge of how monetary and fiscal policy influence employment, output, and prices by
c) **describing sources of government revenue.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Federal, state, and local governments collect taxes and fees to pay for the goods and services they provide.	What is the source of revenues for local governments? What is the source of revenues for state governments? What is the source of revenues for the federal government?	Most local governments depend primarily on property taxes. Most state governments depend on sales and income taxes. The federal government gets the largest percentage of its revenue from individual income taxes. Other sources include • payroll taxes for Social Security and Medicare programs (i.e., Federal Insurance Contributions Act – FICA) • corporate income taxes • excise taxes (e.g., tax on cigarettes and alcohol) • fees (e.g., park entrance fees) • tariffs (i.e., taxes on certain imports, such as steel and sugar, for the purpose of protecting domestic producers).	Create and interpret charts. Analyze primary and secondary sources.

STANDARD EPF.7d

The student will demonstrate knowledge of how monetary and fiscal policy influence employment, output, and prices by
d) **explaining balanced budget, deficit, and national debt.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The federal government’s annual budget is balanced when its revenues from taxes and user fees equal its expenditures. A budget deficit results when spending exceeds revenues. The national debt is the sum of what the federal government owes.	When is the federal government’s budget balanced? What is a budget deficit? What is a budget surplus? Where does the federal government get the money to pay its expenditures when it has a deficit? What is the cost of the national debt?	When federal government revenues and expenditures are equal, the budget is balanced. The federal budget is in deficit when the government’s expenditures exceed its revenues. The federal budget is in surplus when the government’s revenues exceed its expenditures. When the budget is in deficit, the government must borrow by selling securities to individuals, corporations, financial institutions, and/or other governments to finance that deficit. The national debt is the total amount of money the federal government owes. This is the sum of all its past annual deficits and surpluses. The government pays interest on the money it borrows to finance the national debt. The money spent on this debt service (interest) is not available to pay for other government priorities.	Analyze primary and secondary resources. Select and defend a position related to this standard. Create and interpret charts and tables.

STANDARD EPF.8a

The student will demonstrate knowledge of the role of government in a market economy by
a) **identifying goods and services provided by government to benefit society.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Governments may provide an alternative method to supply goods and services when the benefits to society of doing so outweigh the costs to society.	What are some of the goods and services provided by government? Why are these goods and services not provided by the private market?	The government provides goods and services such as military protection, street lights, and police protection. These goods and services may not be provided by the private sector because it would not be profitable for them to do so when non payers might enjoy the benefits. Though schools, roads, and fire protection can be provided by the private sector, the government generally provides them as these services benefit society as a whole. An educated public benefits the whole society. Roads facilitate trade. If one person's house burns and the fire department refuses to come due to nonpayment, neighboring houses may also catch fire.	Weigh costs and benefits. Select and defend a position related to this standard. Analyze political cartoons.

STANDARD EPF.8b

The student will demonstrate knowledge of the role of government in a market economy by

b) **identifying the role the government plays in providing a legal structure to protect property rights and enforce contracts.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
An important economic role for government is to define, establish, and reinforce property rights. Markets do not allocate resources effectively if property rights are not clearly defined or reinforced. A property right to a good or a service includes the right to exclude others from using a good or service and the right to transfer the ownership or the use of the resource to others.	What are property rights? What is a contract? How do property rights and the contract enforcement affect economic activity? How does government enforcement of weights and measures affect consumers?	Property rights give people the right to use their possessions as they choose (within the limits of the law). Property rights, contract enforcement, standards for weights and measures, and liability rules affect incentives for people to produce and exchange goods and services. A contract is a legal agreement enforceable by law. Without property rights there would be little incentive to invest. People invest in what they own because they expect to earn a return on that investment. So, for example, many people landscape the lawns of homes they own, but few landscape a home they are renting. People would have less confidence in contracts if there were no guarantee of enforcement. Thus people would be less willing to trust contracts to buy, sell, or invest. This would reduce economic activity. The government enforcement of weights and measures assures consumers that when they buy ten gallons of gas, they are actually getting ten gallons.	Analyze current events and the role of contracts or property rights.

STANDARD EPF.8c

The student will demonstrate knowledge of the role of government in a market economy by
c) **providing examples of government regulation of the market.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Government regulations aim to protect consumers and labor and reduce market failures.	Who or what does the government protect through regulation? What are market failures? What is an externality? What are some of the regulatory agencies that protect consumers and labor and remedy market failures? What is a government failure?	Some government agencies regulate to protect • consumers (e.g., Consumer Protection Agency, Food and Drug Administration) • labor (e.g., Occupational Safety and Health Administration) • the environment (e.g., Environmental Protection Agency). Government regulations also aim to remedy market failures. A market failure occurs when the market forces of supply and demand do not lead to the output society desires. The four primary sources of market failures are as follows: • Public goods, such as military protection and roads, are provided by government since the market would fail to provide them. • Externalities exist when some of the costs and the benefits associated with production and consumption of a product fall on someone other than the producers or the consumers of the product (e.g., air and water pollution, noisy neighbors). The market cannot solve this; sometimes the government does (e.g., Environmental Protection Agency). • Market power occurs when a shortage of competition results in rising prices. Government may pass laws such as the Sherman Antitrust Act and regulate through agencies like the Federal Trade Commission. It may regulate "natural monopolies," such as electrical utilities. • Inequity exists because markets reward people according to their effort and skills. People without skills, or who cannot work, are likely to be poor. Governments often redistribute income in order to alleviate poverty. A government failure occurs when the cost of solving a market failure is greater than the benefit.	Identify a problem, consider alternatives, weigh costs, and benefits. Select and defend a position related to this standard.

STANDARD EPF.8d

The student will demonstrate knowledge of the role of government in a market economy by

d) **explaining that governments redistribute wealth.**

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Governments often redistribute income directly in response to individuals or interest groups who are not satisfied with the income distribution that results from markets.	Why do governments redistribute income? How do governments redistribute income? How do regressive, progressive, and proportional taxes affect redistribution of income?	Governments redistribute income to create a safety net and alleviate poverty. Redistribution may be direct through social service programs. Governments also redistribute income with progressive tax rates. With progressive taxes, marginal tax rates are lower at low incomes and rise with income levels; thus, people with higher incomes pay a larger percentage of their income for taxes. A proportional tax levies the same percentage tax at all income levels. So, people who earn more pay more, but, they pay the same percentage rate. With a regressive tax, a higher percentage actually falls on people with lower incomes. The sales tax is considered a regressive tax because people at lower incomes pay a higher percentage of their income in sales tax. This occurs because people at lower incomes spend more of their income on taxable things, whereas people at higher incomes spend a much lower percentage of their income on taxable things — saving and investing large percentages of their income. Social security is also considered a regressive tax in that there is a cap, and income above that cap is not taxed.	Calculate taxes. Determine marginal and effective tax rates. Identify a problem and weigh the costs and benefits of alternative solutions.

STANDARD EPF.8e

The student will demonstrate knowledge of the role of government in a market economy by
e) explaining that taxes and fees fund all government-provided goods and services.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Governments pay for the goods and services they provide by taxing or borrowing from people.	What types of goods and services does the federal government provide, and what are the sources of its revenue? What types of goods and services do state governments provide, and what are the sources of their revenues? What types of goods and services do local governments provide, and what are the sources of their revenues?	The bulk of federal spending goes toward • national defense • payments to Social Security recipients • the costs of goods and services, medical expenditures (i.e., Medicare and Medicaid) • interest payments on the national debt. Most federal tax revenue comes from federal income tax and payroll taxes. The bulk of state and local government revenue is spent on public education, public welfare, road construction and repair, and public safety. Most state and local government revenues come from sales taxes, grants from the federal government, personal income taxes, and property taxes.	Create and interpret charts and tables. Select and defend a position related to this standard.

STANDARD EPF.9a

The student will demonstrate knowledge of the global economy by
a) explaining that when parties trade voluntarily, all benefit.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation and among individuals or organizations in different nations.	What does it mean to trade voluntarily? What are some of the benefits of trade?	When people trade voluntarily, that is, willingly and without coercion, both parties benefit. Voluntary exchange among people or organizations in different countries gives people a broader range of choices in buying goods and services and often lowers prices.	Weigh the costs, benefits, and possible consequences of a proposed exchange.

STANDARD EPF.9b

The student will demonstrate knowledge of the global economy by
b) distinguishing between absolute advantage and comparative advantage.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Countries seek to maximize the use of their limited resources.	What is the difference between absolute advantage and comparative advantage? What is specialization? Why does trade promote specialization? What is the primary motivating factor driving international trade? When nations trade based on comparative advantage, how are total production and consumption affected?	**Absolute Advantage** An individual, business, or country that can produce a certain good with fewer resources than other countries is said to have an absolute advantage. **Comparative Advantage** An individual, business, or country that can produce a certain good at a lower opportunity cost than its trading partners is said to have a comparative advantage. Specialization occurs when an individual, business, or country focuses its resources on producing a few goods or services and expects to trade for other goods and services it wants. Total world production is greater when nations specialize in the production of those products that they can produce most efficiently. Comparative advantage is the primary motivating factor driving international trade.	Select and defend a position related to this standard.

STANDARD EPF.9c

The student will demonstrate knowledge of the global economy by
c) distinguishing between trade deficit and trade surplus.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A trade deficit occurs when one country buys more foreign goods than it sells to other countries. A trade surplus occurs when one country sells more goods to other countries than it buys.	What is an import? What is an export? What is a trade deficit? What is a trade surplus?	Imports are foreign goods and services that are purchased from sellers in other nations. Exports are domestic goods and services that are sold to buyers in other nations. When imports exceed exports, the result is a trade deficit. When exports exceed imports, the result is a trade surplus.	Create and interpret charts and graphs.

STANDARD EPF.9d

The student will demonstrate knowledge of the global economy by
d) explaining exchange rates, and the impact of a strong dollar and weak dollar on economic decisions.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
When exchange rates fluctuate, the prices of exports and imports change, and some groups gain while others lose in each country.	What is an exchange rate? What is a strong dollar? What is a weak dollar? Who benefits and who is hurt by each?	An exchange rate is the price of one nation's currency relative to another nation's currency. Like prices, exchange rates are determined by supply and demand. When the dollar grows stronger against another currency, it means people holding dollars get more of the other currency for each of their dollars (e.g., a stronger dollar would get more euros per dollar). A strong dollar helps Americans traveling abroad or buying imports because it makes foreign hotels and goods less expensive. A strong dollar hurts Americans selling exports to shoppers in other countries, because it makes the United States goods more expensive. A weak dollar hurts Americans who travel abroad or buy imports because it makes foreign hotels and goods more expensive. A weak dollar helps Americans producing and selling exports to shoppers in other countries, because the United States goods are then cheaper to foreigners.	Determine an exchange rate.

STANDARD EPF.9e

The student will demonstrate knowledge of the global economy by
e) describing the costs and benefits of trade barriers.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Despite the mutual benefits from trade among people in different countries, many nations employ trade barriers to restrict free trade. Trade barriers may be established to strengthen national defense, to influence or pressure a foreign government, or to protect domestic companies and workers who are hurt by free trade.	What are some of the most common trade barriers? What are the consequences of trade barriers? Who benefits from and who is hurt by trade barriers?	Trade barriers include • tariff — a tax on imports • quota — a limit on the quantity of a good allowed into a country • embargo — a policy forbidding trade in a certain good (e.g., ivory) or with a certain country. Trade barriers reduce trade thus reducing competition for domestic producers and reducing choices for consumers. Trade barriers help domestic producers of the protected good by reducing the competition for their good (e.g., sugar). Trade barriers hurt consumers by raising prices of the protected good (e.g., sugar) and hurt foreign producers of the good who wish to export to the United States. Although barriers to international trade usually impose more costs than benefits, they are often advocated by people and groups who expect to gain substantially from them. Incentives exist for political leaders to implement policies that disperse costs widely over large groups of people and benefit small, politically powerful groups of people. Because the costs of these barriers are typically spread over a large number of people, each of whom pays only a little and may not recognize the cost, policies supporting trade barriers are often adopted through the political process. When imports are restricted by public policies, consumers pay higher prices, and job opportunities and profits in importing firms decrease.	Select and defend a position related to this standard. Weigh costs and benefits of implementing a new trade barrier or reducing existing ones.

STANDARD EPF.9f

The student will demonstrate knowledge of the global economy by
f) describing the effects of international trade agreements and the World Trade Organization.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
International trade agreements such as the North American Free Trade Agreement (NAFTA) have tended to reduce trade barriers. Likewise, the World Trade Organization (WTO) seeks freer trade among nations.	What is the purpose of establishing trade agreements? What is the purpose of the North American Free Trade Agreement (NAFTA)? What is the role of the World Trade Organization (WTO)? What is the European Union (EU)?	Trade agreements establish rules about trade that all parties agree to. These agreements have generally reduced the barriers to trade. The North American Free Trade Agreement (NAFTA) established a free-trade zone (Canada, Mexico, and the United States) with the intention of eliminating trade barriers, promoting fair competition, and increasing investment opportunities. The World Trade Organization (WTO) administers trade agreements, handles disputes, and provides a venue for negotiating among its member nations. The European Union (EU) is a regional trade organization formed to promote trade among countries in Europe by reducing trade barriers and adopting a common currency, the euro.	Select and defend a position related to this standard.

STANDARD EPF.9g

The student will demonstrate knowledge of the global economy by
g) explaining growing economic interdependence.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Greater specialization leads to interdependence between producers and consumers. As a result of growing international interdependence, economic conditions and policies in one nation increasingly affect economic conditions and policies in other nations.	How has globalization made countries more interdependent?	The economy of the United States depends on resources and markets around the world for the production and sale of goods and services. When other economies slow, they may buy less from the United States, and this can slow the United States economy. When other economies expand, they may buy more from the United States, stimulating the United States economy. To be competitive and increase profits, businesses seek to reduce costs of production. When natural or human resources are cheaper in other countries, United States businesses use foreign resources when they can, affecting the United States labor market. This may involve moving production to other countries (i.e., offshoring) or sending work via the Internet to workers in other countries (i.e., outsourcing). When foreign goods are cheaper or better, United States consumers may buy them, affecting the demand for United States goods and services and the jobs of those who produce them.	Select and defend a position related to this standard. Separate fact from opinion.

STANDARD EPF.10a

The student will develop consumer skills by
a) examining basic economic concepts and their relation to product prices and consumer spending.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Basic economic concepts can be used to understand pricing of products. Basic economic concepts can be used to understand consumer spending.	What economic concepts impact consumers? What economic concepts can be used to understand consumer spending?	Economic concepts such as profit, incentive, consumer sovereignty, supply and demand, and competition all relate to product prices and consumer spending: Profit is an incentive for producers. Businesses produce what consumers demand, a concept known as consumer sovereignty. If the cost of production goes up, supply will decrease and prices will rise; if the cost of production goes down, supply will increase and prices will fall. An increase in productivity lowers the cost of production and thus increases supply, leading to a decrease in price. Competition among businesses affects consumer prices. Changes in income affect the demand for goods and services; an increase in income increases demand for most products, and vice versa. Interest income is an incentive to save money. Supply and demand for a product or service determine price.	Interpret charts and graphs (circular flow chart).

STANDARD EPF.10b

The student will develop the consumer skills by
b) examining the effect of supply and demand on wages and prices.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The value of a worker's skills and knowledge in the marketplace is impacted by supply and demand. The prices for goods and services in the marketplace are determined by supply and demand.	How is the value of a worker's skills and knowledge affected by supply and demand? How are prices for goods and services determined by supply and demand?	Workers who invest in their own human capital generally become more productive. Productive workers lower the cost of production, thus employers seek to hire the more productive workers. Workers with more knowledge and skill generally earn more than unskilled workers. The demand for workers is derived from the demand for the goods and services they make. When demand for a good or service falls, demand for the workers who produce the good or service falls; when demand for a good or service rises, demand for workers does too. An increase in the supply of workers with a specific skill tends to decrease their wages, while a limited supply of such workers tends to increase wages. According to the law of demand, people buy more at lower prices and less at higher prices. All else being equal, prices rise with an increase in demand and fall when demand decreases. Demand is affected by non-price factors such as changes in the number of consumers, consumer income, taste, expectations, and the price of related goods (i.e., complements and substitutes). Prices fall with an increase in supply and rise with a decrease in supply. Supply is affected by changes in the number of suppliers, cost of production, technology, expectations, government policies, and catastrophic events (e.g., hurricanes, wars).	Interpret charts and graphs (supply-and-demand curves).

STANDARD EPF.10c

The student will develop consumer skills by
c) describing the steps in making a purchase decision, including the roles of marginal benefit and marginal cost.

<table>
<tr><th>Essential Understandings</th><th>Essential Questions</th><th>Essential Knowledge</th><th>Essential Skills</th></tr>
<tr><td>Purchase decisions are made more easily when marginal benefit and marginal cost are considered.

The use of decision models can improve purchase decision-making.</td><td>What are marginal costs and marginal benefits?

How does one weigh marginal costs and benefits when making a decision?

How can a decision model improve decision-making?

What other steps could improve purchasing decisions?</td><td>Marginal benefits are the additional benefits of consuming one more of something. Marginal costs are the additional costs (i.e., what one must give up) of getting one more. For example, the marginal benefit of buying one more pair of jeans might be the time saved by having to wash jeans less frequently. The marginal cost of one more pair of jeans might be giving up buying a new shirt or pair of shoes.

Sample Decision Model (PACED)
• Step 1: Determine the problem.
• Step 2: List the alternatives.
• Step 3: Establish criteria.
• Step 4: Evaluate each alternative according to the criteria.
• Step 5: Decide.

Other steps which could improve decision-making include
• researching prices for commonly purchased items
• using comparison shopping
• weighing the pros and cons of sales incentives, guarantees, warranties, and rebates
• understanding sales terminology
• planning purchases and avoiding impulse buying
• computing unit prices
• reading labels
• reading contracts
• computing total costs
• checking references of businesses
• patronizing reputable businesses.</td><td></td></tr>
</table>

STANDARD EPF.10d

The student will develop consumer skills by
d) determining the consequences of conspicuous consumption.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Conspicuous consumption can lead to financial troubles.	What is conspicuous consumption and how can it lead to financial problems?	Conspicuous consumption refers to buying goods and services not for their intrinsic value but for the purpose of impressing others in hopes of improving one's social status. Conspicuous consumption can lead to spending beyond one's means. This requires borrowing, and excessive borrowing can lead to credit problems.	

STANDARD EPF.10e

The student will develop consumer skills by
e) describing common types of contracts and implications of each.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Various types of contracts impact consumers.	What is a contract? What are some examples of contracts?	A contract is a binding legal agreement that is enforceable by law. Examples of contracts include • movie rental memberships • property rentals • cell phone agreements • online contracts (e.g., for networking space, cell phone ringtones) • payday loans • title loans • rent-to-own agreements. There are legal consequences for failure to comply with contract requirements. Implications and related concepts include • three-day rescission period • circumstances requiring co-signatures • legal ramifications of adults (e.g., roommates) sharing financial responsibilities involving a contract.	

STANDARD EPF.10f

The student will develop consumer skills by
f) demonstrating comparison-shopping skills.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Comparison shopping provides information to help consumers obtain the best quality for the best price.	What are some of the considerations to be taken when comparison shopping?	Comparison shopping involves consideration of • value • time • convenience • dollar costs • payment options • negotiations of prices and terms • the consequences of conspicuous consumption • opportunity cost • costs and benefits.	

STANDARD EPF.10g

The student will develop consumer skills by
g) maintaining a filing system for personal financial records.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Individuals should set up and maintain a filing system.	What are the benefits of maintaining a filing system? What are the primary types of filing systems?	A well maintained filing system gives one access to personal records when needed. A well maintained filing system includes ease of storage retrieval and shredding of documents. Manual and electronic are the primary types of filing systems. Systems can have numeric, chronological, and/or tickler access.	

STANDARD EPF.10h

The student will develop consumer skills by

h) examining the impact of advertising and marketing on consumer demand and decision-making in the global marketplace.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Advertising and marketing affect consumer demand and decision-making.	How do advertising and marketing affect consumer demand and decision-making?	Examination should address the impacts of marketing strategies on consumer decisions, with emphasis on advertising features that may be informative and features that may be misleading (e.g., infomercials, celebrity endorsements). Strategies should represent all elements of the marketing mix, including • product decisions (e.g., quantity, packaging, branding, physical features) • pricing decisions (e.g., quality of item, expendable income of target market, competitors' prices) • place decisions (e.g., target market, product image, product price) • promotional decisions (e.g., advertising and public relations).	Compare global advertising and marketing strategies commonly used to sell goods and services (e.g., mass media, direct mail, point of sale).

STANDARD EPF.10i

The student will develop consumer skills by
i) accessing reliable financial information from a variety of sources.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
It is important for consumers to seek reliable financial information to assist them in making financial choices and decisions. Financial information is available from a variety of sources, not all of which are reliable.	What are some sources of financial information? What are the incentives of those providing information? Is the information fact or opinion?	Data may be gathered from print, electronic, and verbal sources such as • newspaper financial pages • Internet sources • investor services and newsletters • financial magazines • brokers • banks • credit unions • financial advisors • annual reports. Financial data must be evaluated for reliability: • Some information sources have an incentive to sell a product. • Statistical data can be misrepresented, for example, to imply cause and effect. • Some information sources are opinion programs, and others are news programs. • Some advisors are more skilled than others. • Past performance is no guarantee of future performance. • It is the consumer's responsibility to determine the reliability of the information.	

STANDARD EPF.10j

The student will develop consumer skills by
j) explaining consumer rights, responsibilities, remedies, and the importance of consumer vigilance.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Consumers have rights, responsibilities, and remedies. Consumers have a responsibility to be vigilant. The Federal Reserve System, often called the Fed, is the central bank of the United States. The Federal Reserve System has a number of consumer protection responsibilities and activities.	What are consumers' rights? What are a consumer's responsibilities? What are consumer remedies? What are some examples of consumer protection regulations? What are the Federal Reserve System's consumer protection responsibilities?	Consumers have the right • to be informed • to be safe • to choose • to be heard • to have avenues for redress of consumer grievances (e.g., state and federal agencies, consumer protection laws, private groups such as Common Cause and Better Business Bureau). Consumer responsibilities include • verifying receipts and statements • contesting an incorrect bill • maintaining consumer vigilance • safeguarding against fraud. Remedies should include • maintaining awareness of the rights and responsibilities of minors • contesting an incorrect bill • registering a consumer complaint. Consumer skills include comprehending and using • consumer protection laws, such as those related to product recalls and product labeling • government agencies responsible for enforcing consumer protection laws • private groups that work for consumer protection.	

STANDARD EPF.10j (continued)

The student will develop consumer skills by
j) explaining consumer rights, responsibilities, remedies, and the importance of consumer vigilance.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		The Consumer Compliance function of the Federal Reserve System writes consumer protection regulations for the financial industry. It enforces consumer protection and civil rights laws and regulations at the banks the Federal Reserve System supervises. The Community Affairs function of the Federal Reserve System promotes fair and impartial access to credit. The Federal Reserve System also supports consumer protection by providing a variety of information and educational resources.	

STANDARD EPF.10k

The student will develop consumer skills by
k) examining precautions for protecting identity and other personal information.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are various types of identity theft and methods for avoiding becoming a victim.	What are some of the types of identity theft? What can one do to avoid becoming a victim?	Types of identity theft change regularly. Consumers must be aware of current methods and how to protect their identity. Ways to avoid becoming a victim may include • safeguarding financial documents • refusing to give personal information to phone or e-mail solicitations • shredding documents that contain personal information • using secure Internet sites • being aware of surroundings when making financial transactions • immediately reporting theft or loss of identification, checks, credit cards, and personal financial documents and data • checking financial statements regularly.	

STANDARD EPF.11a

The student will demonstrate knowledge of planning for living and leisure expenses by
a) comparing the costs and benefits of purchasing vs. leasing a vehicle.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are costs and benefits to purchasing a vehicle and costs and benefits to leasing a vehicle.	What are the steps in purchasing or leasing a vehicle? What are the costs and benefits of purchasing a vehicle? What are the costs and benefits of leasing a vehicle? What are subjective sources of purchase and lease information? What are objective sources of purchase and lease information?	Considerations in purchasing or leasing a vehicle may include • performance • safety • odometer mileage • average miles driven annually • fuel consumption • size • appearance • price/payment limit • insurance costs, taxes, and maintenance • options/features • warranty • depreciation and resale. Consumers should identify several alternative vehicles, including new and used. Consumers should gather information and test-drive multiple vehicles. Consumers should compare each alternative to the criteria established to determine which vehicles best meet them, keeping in mind that not all criteria are equally important. Information should include both subjective resources (e.g., advertisements, sales representatives) and objective resources (e.g., statistically based research).	Use a decision model (e.g., PACED) to select a vehicle.

STANDARD EPF.11b

The student will demonstrate knowledge of planning for living and leisure expenses by
b) comparing the advantages and disadvantages of renting vs. purchasing a home.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are costs and benefits of renting housing and costs and benefits of purchasing a home.	What are some of the costs and benefits of renting housing? What are some of the costs and benefits of buying a home?	The benefits of renting include • less initial capital outlay • increased mobility • fewer maintenance expenses • no property taxes. The costs of renting include • building no equity • no tax deduction for interest paid • limited ability or incentive to upgrade. The benefits of buying a home include • possibility of building equity • right to deduct interest on Federal Income Tax • opportunity to personalize to own taste. The costs of buying a home generally include • down payment • property taxes • maintenance of structure and yard • limited mobility.	

STANDARD EPF.11c

The student will demonstrate knowledge of planning for living and leisure expenses by
c) describing the process of renting housing.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Selecting a rental property involves gathering information and applying decision-making skills.	How can a decision model be applied to the selection of rental housing? What are some of the considerations? What are the steps in the rental process?	The first step in a decision model in selecting rental housing is to list alternatives (options). The second step is establishing criteria, which should be stated in positive terms such as • the monthly payment is no more than budget allows • the property is conveniently located (to work, school, public transportation, shopping, friends, family) • the property has enough space • the property has amenities. Criteria are personal; each person decides what factors are important. Individuals should visit all properties that appear to meet the criteria. Additional factors for consideration include • the renter's credit score • the specifics of each rental agreement • rental inspections • landlord/tenant responsibilities • estimated moving expenses and installation charges. Selection of a rental property is made when the renter decides which alternative best meets the established criteria.	Use a decision model (e.g., PACED) to select rental housing.

STANDARD EPF.11d

The student will demonstrate knowledge of planning for living and leisure expenses by
d) describing the process of purchasing a home.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Buying a home includes choosing a home, signing a contract, securing a down payment, financing the home, and identifying other costs associated with the purchase and ownership of the home.	How does one use a decision model to help choose a home? What are some of the other steps in purchasing the home?	The buyer can use a decision model, which includes the step of establishing criteria, stated in positive terms such as • the home is in a desirable location • the monthly payment is no more than budget allows • the home is convenient (to work, school, bus routes, friends, family) • the home has enough space • the home has good expected resale value • property taxes, insurance costs, utility costs, community fees, and estimated maintenance costs fit in the buyer's budget. Criteria are personal; each person decides what factors are important. Individuals should visit all properties that appear to meet the criteria. The process of purchasing a home also includes • submitting to a credit check • making a down payment • obtaining homeowners insurance • securing financing.	Use a decision model (e.g., PACED) to select a home.

STANDARD EPF.11e

The student will demonstrate knowledge of planning for living and leisure expenses by
e) calculating the cost of utilities, services, maintenance, and other housing expenses.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Independent living involves ongoing housing costs.	What are some expenses related to utilities? What are some possible costs associated with acquiring furniture and appliances? What are some possible expenses related to refurbishing or maintaining a home?	Some expenses related to utilities include • installation • deposits • monthly payments for service • equipment maintenance and repairs related to electricity, gas, oil, water, cable, Internet service, and telephone. Additional costs to be considered include • homeowners insurance • property taxes • appliances and furniture • maintenance (e.g., painting, carpet cleaning/repair, plumbing) • equipment • supplies.	

STANDARD EPF.11f

The student will demonstrate knowledge of planning for living and leisure expenses by
f) evaluating discretionary spending decisions.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Consumers should weigh costs and benefits to prioritize discretionary spending decisions.	What is discretionary spending? What tools can consumers use to evaluate discretionary spending decisions?	Discretionary spending is spending for goods and services beyond the essentials of food, shelter, and clothing. Discretionary spending allows consumers freedom of choice in what to purchase and how much to spend on such things as education, health care, entertainment, transportation, and communication technology. Consumers can weigh costs and benefits of alternative spending choices. Consumers can use decision models to clarify choices. Consumers can consider saving as an alternative to current spending.	

STANDARD EPF.12a

The student will demonstrate knowledge of banking transactions by
a) comparing the types of financial institutions.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Financial institutions include credit unions, commercial banks, finance corporations, savings and loan companies, insuring agencies, and non-bank institutions.	What services do credit unions, banks, and savings and loan companies generally provide? What agencies insure each of these? What are the costs and benefits of using non-bank institutions such as check-cashing services and payday loan services? What are the consequences of being unbanked?	Credit unions, banks, and savings and loan companies generally offer checking accounts, savings accounts, consumer loans, certificates of deposit, and check cashing for depositors. Banks and savings and loan companies are generally insured by the Federal Deposit Insurance Corporation (FDIC) and credit unions by the National Credit Union Share Insurance Fund (NUSIF). Consumers should be aware that not all deposits are insured. Some consumers do not have bank accounts and use check-cashing services when they must cash a check. Companies charge a very high fee for this service. Payday loan and check-cashing companies typically charge higher rates than banks for their services.	

STANDARD EPF.12b

The student will demonstrate knowledge of banking transactions by
b) examining how financial institutions affect personal financial planning.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Over time, financial institutions have expanded services that affect personal financial planning.	How have financial institutions increased their range of services?	Many banks offer brokerage and insurance services, as well as financial management advisors.	

STANDARD EPF.12c

The student will demonstrate knowledge of banking transactions by
c) evaluating services and related costs associated with personal banking.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are costs associated with personal banking.	What are the benefits of the services provided by financial institutions? What are the costs of the services? What are the costs of being unbanked?	Benefits of services provided by financial institutions include • check cashing • interest earned • debit cards • ease of bill paying • online account management • direct deposit • automated teller machine (ATM) • improved access to loans. Costs for services provided by financial institutions include interest on loans and fees, such as • ATM fees • late fees • minimum balance fees • returned check fees. Consumers who are unbanked may have difficulty • establishing credit • cashing checks without paying a service fee • mailing bill payments • acquiring loans • receiving direct deposit income • keeping income safe.	

STANDARD EPF.12d

The student will demonstrate the knowledge of banking transactions by
d) differentiating among types of electronic monetary transactions.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are several types of electronic monetary transactions.	What are some examples of electronic monetary transactions?	Types of electronic monetary transactions include • direct deposit • remote deposits • check cards and debit cards • automated teller machine (ATM) banking • online banking and bill paying • online investments • wiring of funds. The Automated Clearing House (ACH) is the system used to process electronic monetary transactions. The Check Clearing for the 21st Century Act, or Check 21, makes check processing easier and less expensive for financial institutions by creating substitute checks that can be exchanged electronically.	

STANDARD EPF.12e

The student will demonstrate knowledge of banking transactions by
e) preparing all forms necessary for opening and maintaining a checking and a savings account.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The process of opening a checking account or savings account involves several steps.	What are the steps to open and maintain a checking or savings account?	Opening and maintaining a checking or savings account involves • completing an application • completing a signature card • presenting approved identification document • writing/maintaining checks, stubs, and check register • endorsing checks • completing deposit and withdrawal documents.	

STANDARD EPF.12f

The student will demonstrate the knowledge of banking transactions by
f) reconciling bank statements.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Reconciling bank statements is an important step in financial planning.	What is the procedure for reconciling bank statements?	Reconciliation is the process of bringing the checkbook register into agreement with the bank statement. This may be done electronically or manually.	

STANDARD EPF.12g

The student will demonstrate the knowledge of banking transactions by
g) comparing costs and benefits of online and traditional banking.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are costs and benefits to both online and traditional banking.	What are the costs and benefits of traditional banking? What are the costs and benefits of online banking?	Benefits of traditional banking may include • comfort of the familiar • confidence about privacy and security • availability of expert advice and customer service. Costs of traditional banking may include • limited access • more paper to file • possible account fees. Benefits of online banking may include • convenience • 24-7 availability • ease of updating transaction records. Costs may include • time to learn system • concern about privacy and security • reduced relationship with bank • possible account fees.	

STANDARD EPF.12h

The student will demonstrate the knowledge of banking transactions by
h) explaining how certain historical events have influenced the banking system and other financial institutions.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A series of historical events led to today's banking system in the United States.	What have been the significant developments on the path from the 1700s to today's banking system in the United States?	**18th and 19th centuries** • The Industrial Revolution brought an economic shift in the United States from bartering and trading to exchange of currency for goods and services; individuals moved from being self-supporting to working for others; increased use of money allowed for purchases and the initiation of consumer credit, as well as seasonal bank loans for farmers; the period also saw high bank interest rates. • 1791 — First Bank of the United States established • 1816 — Second Bank of the United States established **20th century** • Transition from an agricultural economy to an industrial economy and an expansion of purchasing power and credit • World War I — War debt incurred by United States • Panic of 1907 • 1913 — Federal Reserve System established • 1920s — Stronger credit • 1920–1980 — Credit made available to most Americans • 1929 — Stock Market Crash • 1930s — Great Depression; decade of consumer distrust of credit and investment • 1940s–1960s — Stable inflation rates; low interest rates • 1970s — Rapid economic growth; overuse of credit; high inflation rate; consumer credit protection legislation; birth of credit counseling • 1990s — Credit as a major marketing tool across industries; major stock market gains; longest peace time expansion	

STANDARD EPF.12h (continued)

The student will demonstrate the knowledge of banking transactions by

h) explaining how certain historical events have influenced the banking system and other financial institutions.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		21st century • September 11, 2001 — Terrorist attacks on the World Trade Center, the Pentagon, and Pennsylvania led to major stock market losses. Threats of further terrorism continue to influence the financial markets. • The latter part of the first decade was marked by a significant economic recession that resulted in failed banks, foreclosures, and high unemployment.	

STANDARD EPF.13a

The student will demonstrate the knowledge of credit and loan functions by
a) evaluating the various methods of financing a purchase.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are various methods of financing a purchase. A decision-making model can help determine which is best in a given case.	What are some of the methods for financing a purchase? What are some of the sources of financing? How would a decision model help decide which method is best in a given case? What is the opportunity cost of credit?	Some methods of financing a purchase are • installment plan • layaway • secured and unsecured loans. Some sources of financing are • retail stores • banks and credit unions • finance companies • pawn shops • payday loans • title loans • private lenders. Some types of credit are • open-end credit • closed-end credit • service credit • revolving credit • secured loans • unsecured loans. To use a decision model to determine which type of financing would be best, first establish the criteria. The opportunity cost of using credit is the resulting decrease in future purchasing power; the individual will have less money to spend in the future as some of it will go toward repaying the loan or paying a credit card bill.	

STANDARD EPF.13b

The student will demonstrate the knowledge of credit and loan functions by
b) analyzing credit card features and their impact on personal financial planning.

<table>
<tr><th>Essential Understandings</th><th>Essential Questions</th><th>Essential Knowledge</th><th>Essential Skills</th></tr>
<tr><td>Credit cards have many possible features. A decision model can help select the appropriate card for the consumer.</td><td>What are some of the features of credit cards?

How can a decision model be used to select a credit card?

What are the costs and benefits of credit cards?

How can credit cards impact personal financial planning?</td><td>Consumers should consider the impact on personal financial planning of credit card features, such as
• annual percentage rate (APR)
• annual fees
• compound interest
• penalty charges
• credit line
• promotional incentives
• account disclosure statement
• minimum payments.

To use a decision model in selecting a credit card, the consumer needs to decide what features are most important in order to establish criteria.

The benefits of using credit cards include
• float (deferred payment)
• convenience
• capability to conduct online transactions
• rewards
• purchase protection
• fraud protection
• payment over time
• establishing credit.

The costs of using credit cards include
• interest
• fees (e.g., late, annual, over-the-limit)
• risk of identity theft
• risk of borrowing beyond the ability to repay
• length of time to pay off the balance when paying only the minimum payment.</td><td></td></tr>
</table>

STANDARD EPF.13c

The student will demonstrate the knowledge of credit and loan functions by
c) identifying qualifications needed to obtain credit.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Character, capacity, capital, conditions, and collateral are factors that determine creditworthiness.	In terms of credit, what do character, capacity, capital, conditions, and collateral mean, and how are they measured?	Character refers to a borrower's history of paying obligations. Capacity refers to one's ability to repay and is usually measured by current income and level of outstanding debt. Capital refers to savings and other assets one can use to repay. Conditions refer to other circumstances that may impact the ability to obtain credit (e.g., economic conditions). Collateral refers to assets the borrower has that could be taken by the lender if the borrower fails to repay.	

STANDARD EPF.13d

The student will demonstrate the knowledge of credit and loan functions by
d) identifying basic provisions of credit and loan laws.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are laws related to credit and loan practices.	What are some of the laws that affect credit and loans?	**Some laws that affect credit and loans** • Fair Credit Reporting Act — regulates consumer reporting agencies and the use of consumer credit information • Fair Credit Billing Act — protects consumers against inaccurate and unfair credit billing and credit card practices and provides consumers with a mechanism for addressing billing errors • Equal Credit Opportunity Act — prohibits creditors from discriminating against a credit applicant on the basis of race, color, religion, national origin, sex, marital status, or age or because the applicant receives public assistance • Fair Debt Collection Practices Act — prevents abusive and deceptive practices by debt collectors • Credit Card Accountability, Responsibility, and Disclosure (CARD) Act — bans unfair rate increases and unfair fees, requires that credit card contract terms be presented to consumers in clear language, and ensures accountability from credit card issuers and regulators	

STANDARD EPF.13e

The student will demonstrate the knowledge of credit and loan functions by
e) comparing terms and conditions of various sources of consumer credit.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Borrowers should compare the terms and conditions of various sources of consumer credit.	What are terms and conditions of various sources of consumer credit?	Consumers of credit should compare • percentage rates • annual fees • transaction fees • finance charges • risk of losing assets. Consumers should consider costs and benefits of various sources, including • retailers • banks • credit unions • finance companies • risk-based lending companies (e.g., payday loan services, pawnbrokers, title loan services).	

STANDARD EPF.13f

The student will demonstrate the knowledge of credit and loan functions by
f) identifying strategies for effective debt management, including sources of assistance.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Income and assets will determine how much debt a consumer can manage. When consumers take on too much debt, there are sources of assistance.	What are some strategies for effective debt management? What are the signs that one is getting into credit trouble? What consumer laws protect people with credit problems? Where may one go for assistance with credit troubles?	Some strategies for effective debt management include • maintaining accurate financial records • making payments on time to avoid penalties and other debt problems (e.g., liens, foreclosures, garnishment, repossessions, evictions) • using early payoffs, if advantageous • ensuring against identity theft. Signs that a consumer is getting into credit trouble include • inability to pay bills • making only the minimum payment • using one credit card to pay other credit card balances • receiving collection agency calls. When considering sources of assistance for debt management, individuals should • distinguish between discrimination and legitimate credit denial • ensure the right to appeal a credit denial • apply knowledge of laws' protection of consumers who have credit problems • review the ramifications of bankruptcy • check telephone directories and Internet sites for credit counseling services and commercial debt-adjustment firms that can help clients address credit problems, manage debt, and rebuild credit • evaluate sources for reliability and effectiveness.	

STANDARD EPF.13g

The student will demonstrate the knowledge of credit and loan functions by
g) explaining the need for a good credit rating.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are benefits to a good credit rating. There are costs to a poor credit rating.	Who calculates and reports credit ratings? How is one's credit rating measured? How can a good credit rating be established? What are some of the consequences of a poor credit rating? How can one correct an error on one's credit report?	Credit reporting agencies have established formulas to produce credit scores for each borrower. Credit ratings are based on information in a person's credit record, including income, payment history, employment record, and other personal factors. Making payments (e.g., bills, rent) on time helps an individual establish and maintain good credit. Good credit scores may enhance one's ability to borrow and the interest rate charged. Credit scores may also help decrease one's insurance rates and improve employment options. Poor credit can adversely affect one's ability to get a job, rent an apartment, obtain a car loan, obtain security clearance — and may even bring an increase in car insurance. Individuals should access their own credit reports before applying for credit or when denied credit. To correct errors in one's credit report, an individual should tell the consumer reporting company, in writing and with supporting documents, what information is inaccurate. The consumer reporting company then must investigate the issue and correct the error.	Describe the way credit is rated (i.e., point system) and the contents of credit report. Describe steps for detecting and correcting errors in one's credit report.

STANDARD EPF.13h

The student will demonstrate the knowledge of credit and loan functions by
h) comparing the costs and conditions of secured and unsecured loans.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Secured and unsecured loans should be analyzed with regard to the costs and conditions of the loans.	What are some of the costs and conditions to consider with secured and unsecured loans?	A secured loan is one in which the borrower risks loss of an asset (e.g., automobile, house) if unable to repay. An unsecured loan is made without the borrower offering any assets and is based on the borrower's credit rating alone. Some costs and conditions to consider with secured and unsecured loans include • annual percentage rates • finance charges • monthly payments • annual fees • transaction fees • length of time to repay the loan • total amount required to pay off the loan • loss incurred should the loan not be repaid on time.	

STANDARD EPF.13i

The student will demonstrate the knowledge of credit and loan functions by
i) comparing the types of voluntary and involuntary bankruptcy and the implications of each.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are many causes for bankruptcy and many consequences.	What are the most common types of bankruptcy? What are the most common causes for bankruptcy? What effect does bankruptcy have on one's financial future? Is legal advice needed for bankruptcy?	The two most common types of bankruptcy for individuals are chapter 7 bankruptcy and chapter 13 bankruptcy. Chapter 7 is the chapter of the U.S. Bankruptcy Code providing for "liquidation" (i.e., the sale of a debtor's nonexempt property and the distribution of the proceeds to creditors.) Chapter 13 is the chapter of the U.S. Bankruptcy Code providing for adjustment of debts of an individual with regular income. (Chapter 13 allows a debtor to keep property and pay debts over time, usually three to five years.) In most cases, an individual files for bankruptcy voluntarily. However, creditors can force debtors into involuntary bankruptcy. The most common causes of bankruptcy are • illness or injury • failure to plan and budget • small business failure • job loss • impulse, emotional spending • economic downturn. Bankruptcy generally affects one's ability to obtain credit for a period of time and may affect employment. An attorney should be consulted for legal advice on when and how to file for bankruptcy.	

STANDARD EPF.14a

The student will demonstrate knowledge of the role of insurance in risk management by
a) evaluating insurance as a risk management strategy.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Insurance can reduce financial risk. There are pros and cons of insurance as a risk management strategy in financial planning.	Why do people buy insurance?	Insurance provides protection from loss due to unforeseen or unavoidable events or circumstances (e.g., illness, death, fire, theft, liability, act of nature, automobile accident).	

STANDARD EPF.14b

The student will demonstrate knowledge of the role of insurance in risk management by
b) distinguishing among the types, costs, and benefits of insurance coverage, including automobile, life, property, health, and professional liability.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are many types of insurance, including automobile, life, property, health, and professional liability. Individuals have many choices to make in selecting insurance.	What are some of the topics to understand about automobile insurance? What are some of the topics to understand about life insurance? What are some of the topics to understand about property insurance? What are some of the topics to understand about health insurance? What are the topics to understand about professional liability insurance?	Important topics to understand about automobile insurance include • deductible • collision • comprehensive • liability • personal injury protection • no fault • uninsured/underinsured motorist • assigned risk. Types of life insurance include • temporary insurance (term, decreasing term, level term, and credit life) • permanent insurance (straight life, limited pay, universal, and variable). Some concepts to understand about property insurance: • Its purpose is to protect a person from losses due to damage, theft, and liability. • It includes basic coverage, broad form, special form, renter, comprehensive, and condominium owner. • There are disadvantages of under-insuring and over-insuring. • The insured must pay a deductible toward a loss before the insurance company contributes. Policies with lower deductibles have higher premiums, and vice versa.	Weigh costs and benefits of adding additional coverage. Use decision model to compare policies offered by different companies.

STANDARD EPF.14b (continued)

The student will demonstrate knowledge of the role of insurance in risk management by
b) distinguishing among the types, costs, and benefits of insurance coverage, including automobile, life, property, health, and professional liability.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		• Insurance floaters cover items not covered by standard insurance policies, such as art collections or jewelry. • Endorsements can be written to change a policy's coverage. Some concepts to understand about health insurance: • Basic health insurance covers doctor visits, routine service, and hospital and surgical expenses. • Major medical insurance insures a person from large and catastrophic expenses resulting from illness or injury. • Dental and vision care insurance are generally sold separately from basic insurance coverage. • Disability insurance offers workers protection in case of job-related injury. • There are both advantages and disadvantages of managed and unmanaged health insurance plans. • Co-pays (i.e., payment by the insured for medical services) are a requirement of most health insurance plans. Professional liability insurance is often purchased by attorneys, health care providers, and educators to protect against malpractice and other litigation. Umbrella liability insurance provides additional protection should other policies not be sufficient.	

STANDARD EPF.14c

The student will demonstrate knowledge of the role of insurance in risk management by
c) explaining the roles of insurance in financial planning.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Insurance can play an important role in financial planning.	What roles can insurance play in financial planning?	Insurance can play the following roles in financial planning: • Protection against risk of financial loss • Assistance for individuals and families preparing financially for risks such as disability, unemployment, long-term care, and death • Provision for retirement income • Accumulation of savings (for family expenses) • Provision of cash value that can be borrowed. It is important to make periodic reviews of insurance coverage.	

STANDARD EPF.15a

The student will demonstrate knowledge of income earning and reporting by
a) examining how personal choices about education, training, skill development, and careers impact earnings.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Personal choices about investment in oneself as human capital through education, training, and skill development impact earnings.	What is human capital? How can individuals invest in their own human capital? How does human capital affect income?	Human capital refers to the knowledge and skills a person possesses. People invest in their own human capital when they gain knowledge and skills through education, training, and experience. People with more education and skills tend to earn higher incomes than uneducated and unskilled workers.	Research potential careers to determine required knowledge, skills, and starting salaries.

STANDARD EPF.15b

The student will demonstrate knowledge of income earning and reporting by
b) differentiating among sources of income.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
People can receive income from a variety of sources.	What are some of the ways to earn income?	Income can be earned or unearned. Earned income includes • salary • hourly wages • overtime • tips • commissions • bonuses • piece rate. Unearned income includes • interest • return on investment • inheritance • gifts.	

STANDARD EPF.15c

The student will demonstrate knowledge of income earning and reporting by
c) calculating net pay.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Net pay is what remains after voluntary and required deductions are subtracted from gross pay.	What is gross pay? What is net pay? What are common deductions from gross pay that affect net pay?	Gross pay is total money earned before deductions. Some deductions are required; some may be voluntary. Net pay results when deductions such as the following are subtracted from gross pay: • Federal Insurance Contributions Act (FICA) contributions • State and federal taxes • Insurance • Savings • Retirement • Medical reimbursement (pre-tax deduction) • Child care reimbursement (pre-tax deduction).	

STANDARD EPF.15d

The student will demonstrate knowledge of income earning and reporting by
d) investigating employee benefits and incentives.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Employees may have a variety of benefits and incentives to consider.	What are employee benefits? What are employee incentives? What are some of the benefits and incentives that some employees may be offered?	Benefits are part of an employee's compensation, over and above wages or salary. They add to the financial value of a job and may include • matching contributions to tax-sheltered annuities, such as 401(k) and 403(b) retirement savings plans • saving plans • parking • health insurance plans (medical, dental) • child care • elder care • paid vacation • paid sick days • profit sharing. Incentives are offered as motivation for employees to perform well and may include • bonuses • profit sharing • free travel or merchandise.	

STANDARD EPF.15e

The student will demonstrate knowledge of income earning and reporting by
e) completing a standard W-4 form.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The information a worker provides on the W-4 form impacts federal tax deductions and personal income.	Why is it important for the W-4 form to be completed accurately?	The information provided on the W-4 form determines how much is withheld from one's gross pay.	Complete a sample W-4 form.

STANDARD EPF.16a

The student will demonstrate knowledge of taxes by
a) describing the types and purposes of local, state, and federal taxes and the way each is levied and used.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Governments pay for the goods and services they use or provide mostly by taxing or borrowing from people.	What types of goods and services does the federal government provide, and what are the sources of its revenue? What types of goods and services do state governments provide, and what are the sources of their revenue? What types of goods and services do local governments provide, and what are the sources of their revenue?	The federal government provides goods and services from military defense and the interstate highway system to the administration of domestic programs and agencies. Most federal tax revenue comes from personal income taxes and payroll taxes. Most state and local government revenue comes from sales taxes, grants from the federal government, personal income taxes, and property taxes. The bulk of state and local government revenue is spent for education, public welfare, road construction and repair, and public safety. Types of taxes: • Income • FICA • Flat • Inheritance • Personal property • Progressive • Proportional • Real estate • Regressive • Sales • Social Security.	

STANDARD EPF.16b

The student will demonstrate knowledge of taxes by
b) exploring how tax structures affect consumers, producers, and business owners differently.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The rate of tax paid by consumers, producers, and business owners depends on the tax structure.	What are the different tax structures? How does each tax structure affect consumers, producers, and business owners?	Tax structures may be progressive, regressive, or proportional. A progressive tax system is one in which the tax rate rises as a taxpayer's income rises. Income tax is a progressive tax. A proportional tax is one in which the same tax rate is paid by people at all income levels. Property tax is a proportional tax. Taxes are regressive when taxpayers who earn lower incomes pay a higher percentage of their income than those who earn higher incomes. Sales tax is a regressive tax.	

STANDARD EPF.16c

The student will demonstrate knowledge of taxes by
c) computing local taxes on products and services.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Localities can add taxes to sales taxes levied by the state.	What is sales tax? Why might sales tax vary from one locality to another?	Sales taxes are collected on the sale of most goods and services. A base sales tax may be established by a state, and a locality may add additional sales taxes (e.g., meals tax).	Calculate sales tax.

STANDARD EPF.16d

The student will demonstrate knowledge of taxes by
d) examining potential tax deductions and credits on a tax return.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Tax deductions and tax credits can reduce tax liability.	What is the difference between a tax deduction and a tax credit?	A tax deduction is a reduction in one's taxable income. Some examples of tax deductions include • local taxes paid • student loans • charitable contributions • interest paid on home mortgage. A tax credit is a reduction of the tax itself. Tax credits may result from the purchase of, for example, energy-saving vehicles and appliances.	

STANDARD EPF.16e

The student will demonstrate knowledge of taxes by
e) explaining the content and purpose of a standard W-2 form.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A Wage and Tax Statement, commonly known as a W-2 form, provides information for completing state and federal tax forms.	What is a W-2 form?	The W-2 form is issued by employers and is an end-of-year summary of one's gross taxable income and withholdings. It is required by the Internal Revenue Service and included when individuals file their income tax returns.	

STANDARD EPF.16f

The student will demonstrate knowledge of taxes by
f) explaining the similarities and differences between state and federal taxation of inheritances.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Estate planning is an important part of financial planning. There are similarities and differences between state and federal taxation of inheritances.	What are some methods of estate planning? What are some of the questions answered by estate planning? What is the difference between an estate tax and an inheritance tax?	Estate planning involves decisions regarding wills, trusts, and joint tenancy and seeks to accomplish the following: • To state how a person wants his or her estate distributed after death • To appoint the person who should distribute the estate • To record other information, such as one's wishes regarding care of minor children • To avoid probate, or to reduce taxes or other costs. Current state and federal taxes must be considered when planning an estate (e.g., estate taxes, inheritance taxes, death taxes, gift taxes, federal/state income taxes) and any deductions and exemptions that apply to such taxes. Estates exceeding the exempt amount are taxed by the federal government. The tax applies to the decedent’s gross estate, with a large portion of the estate exempted by a tax credit. Inheritance tax is levied on gifts and bequests received by a taxpayer. Currently there is no federal inheritance tax in the United States, but several states have inheritance taxes. Taxes vary based on the property inherited and the relationship of the inheritor to the decedent.	

STANDARD EPF.17a

The student will demonstrate knowledge of personal financial planning by
a) identifying short-term and long-term personal financial goals.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Financial planning calls for both short-term and long-term goals.	What is a short-term financial goal? What is a long-term financial goal?	A short-term financial goal is to have funds to buy things that require money above what is normally allowed by a budget (e.g., emergencies, vacations, social events, automobile and home repairs, gifts). A long-term financial goal anticipates major purchases that require extensive saving (e.g., home ownership, education, retirement, investments).	

STANDARD EPF.17b

The student will demonstrate knowledge of personal financial planning by
b) identifying anticipated and unanticipated income and expenses.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Some sources of income are anticipated, while others are unanticipated. Some expenses are anticipated, while others are unanticipated.	What are some examples of anticipated income? What are some examples of unanticipated income? What are some expenses that are anticipated? What are some expenses that might be unanticipated?	Examples of anticipated income: • Salary • Allowance • Wages • Educational grants or scholarships Examples of unanticipated income: • Gifts • Bonuses • Inheritances Examples of anticipated expenses: • Fixed costs, which remain the same each month (e.g., rent, house payment, automobile loan payment) • Variable costs (e.g., video rentals, restaurant meals, sports activities) Examples of possible unanticipated expenses: • Car repairs • Medical bills • Losses from natural disaster or theft	

STANDARD EPF.17c

The student will demonstrate knowledge of personal financial planning by
c) examining components and purposes of a personal net worth statement.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A net worth statement shows one's financial position.	What is a net worth statement? How is net worth calculated? What are the purposes of a net worth statement? What is a personal inventory?	An individual's net worth statement provides the total value of a person's financial holdings. Net worth is calculated by deducting liabilities (e.g., debts) from assets (e.g., property). Examples of assets include checking and savings account balances, car value, and personal property value. Examples of liabilities include balances on car loans, bank loans, mortgage loans, and credit cards. A net worth statement is useful as an analytical tool for individuals and provides valuable insight to creditors, investors, lenders, and financial advisors. A personal inventory is a list of all of one's personal property. This is useful in cases of fire, theft, and property damage. This inventory can be supplemented with photographs. It is important to keep the record in a safe place away from the primary residence.	

STANDARD EPF.17d

The student will demonstrate knowledge of personal financial planning by
d) developing a personal budget.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
A budget is an important tool for managing one's money to achieve short- and long-term goals.	What does a budget include?	Developing a budget includes the following: • Writing a statement of long-term and short-term goals • Presenting a plan for managing one's money over a short-term period • Outlining a long-term plan for managing money. A budget should allow for discretionary income (i.e., that which is available after paying for the essentials — food, clothing, shelter) and take into account the impact of inflation. A budget should also include funds set aside to use in the event of an emergency.	Prepare a personal budget.

STANDARD EPF.17e

The student will demonstrate knowledge of personal financial planning by
e) investigating the effects of government actions and economic conditions on personal financial planning.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Government actions, such as changes in taxes, affect personal financial planning. Economic conditions affect personal financial planning.	How can government actions affect one's financial planning? How can economic conditions affect one's financial planning?	Government tax policies, including what expenses are tax-deductible, influence financial planning. These tax policies may shift over time. Monetary and fiscal policy actions can affect personal financial planning. Economic conditions such as inflation and deflation affect financial planning. Planning should anticipate the possibility of inflation or deflation in the future by including safeguards against both.	

STANDARD EPF.17f

The student will demonstrate knowledge of personal financial planning by
f) explaining how economics influences a personal financial plan.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Economic understanding and economic conditions affect a personal financial plan.	How can an understanding of economics concepts affect a personal financial plan? How can economic conditions affect a personal financial plan?	Key economics principles that influence personal financial planning include the following: • People must make choices due to scarcity. • Every choice incurs an opportunity cost. • All choices have consequences. • Secondary effects of choices are important. • Decisions are made based on marginal analysis. Applying these key principles to financial planning means the following: • A budget details how one plans to use limited income to satisfy wants. • There is a tradeoff between spending now and saving. • People make decisions about which financial products to consume based on several factors, including expected return and the associated risk of the product. • Financial plans and financial products should take into account the goals of the individuals. Changing economic conditions can influence a personal financial plan in the following ways: • Inflation can negatively impact savings by eroding the purchasing power of savings over time. • Unemployment can affect financial plans by making it more difficult for individuals to budget, save, and meet financial obligations. • Deflation can reduce the value of assets one might own. • Slow economic growth can lead to a rise in unemployment rates. Fiscal policy actions can affect an individual’s current and future income. For example, actions of the Federal Reserve System affect interest rates and the availability of credit; thus it is important to be aware of what the Fed is doing and to understand what it means to one’s financial assets.	

STANDARD EPF.18a

The student will demonstrate knowledge of investment and savings planning by
a) comparing the impact of simple interest vs. compound interest on savings.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
To maximize the return on savings, consumers must compare methods of interest calculation and payment. To analyze investment strategies, it is necessary to compare simple and compound interest, use the rule of 72, and understand the time value of money.	What is principal, and what is interest? What is the difference between simple and compound interest? How is the rule of 72 used? What is the time value of money?	Principal is the original capital deposited or invested, while interest is the amount earned on the principal over time. Simple interest is paid annually on the principal. Compound interest is paid periodically and is paid on the principal plus interest earned. The rule of 72 reveals how long it takes for an investment to double in value: • 72 ÷ interest rate = number of years it will take for the money to double. The value of money today is greater than the value of the same amount of money in the future. The time value of money is the amount of money one would need to receive today to equal a certain sum in the future. For example, a lottery winner who wins $1 million has a choice of (1) receiving a certain amount of money every year until the total is $1 million or (2) receiving a sum today (present value), which when invested at current interest rates would yield $1 million (future value) over the same period of time.	

STANDARD EPF.18b

The student will demonstrate knowledge of investment and savings planning by
b) comparing and contrasting investment and savings options.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Consumers have many savings and investment options.	What are some savings options? What are some investment options? How do these options compare based on factors such as risk, reward, convenience, and liquidity?	Savings options include • savings accounts • certificates of deposit • money market funds. Some investment options include • stocks • bonds • government savings bonds • treasury securities • mutual funds • real estate • retirement plans. Factors used to compare savings and/or investment options include • risk • reward • convenience • liquidity.	Use a decision model to compare options based on criteria such as risk, reward, convenience, and liquidity.

STANDARD EPF.18c

The student will demonstrate knowledge of investment and savings planning by
c) explaining costs and income sources for investments.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
Money for investment can come from a variety of sources. Each type of investment has costs to consider.	What are some income sources for investment? What are some of the costs to consider when investing?	Sources of income funds for investing include • savings • gifts • inheritances • market gains. Costs to consider when investing include • finance charges and fees • opportunity costs. Risks to consider when investing include • market losses • interest rate risk.	

STANDARD EPF.18d

The student will demonstrate knowledge of investment and savings planning by
d) examining the fundamental workings of Social Security and the system's effects on retirement planning.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
For many individuals, Social Security is their only retirement plan. The amount one receives depends on several factors. Social Security has several types of benefits.	What is the purpose of Social Security? What determines how much one receives in benefits? What are the types of benefits provided through the Social Security system? What are some of the concerns about Social Security when planning for retirement?	Social Security was designed as a safety net to provide income to older people when they could no longer work. Social Security benefits are determined by the amount an individual has contributed to the system and the individual's age when claiming benefits. Social Security benefits include disability and survivor benefits, as well as retirement income. For retirement planning, Social Security payments are likely to be less than income has been. Most retirees will need to supplement through savings, investments, continued employment, or adjusted lifestyle.	

STANDARD EPF.18e

The student will demonstrate knowledge of investment and savings planning by
e) contrasting alternative retirement plans.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
There are many types of retirement plans. There are costs and benefits to each.	What types of retirement plans are currently available? What are the costs and benefits of each?	Some retirement plans currently available include • Individual Retirement Account (IRA) • tax-sheltered annuity (TSA) • Keogh plan • annuity • employer retirement plan • public pension plan. Evaluating retirement plans requires knowledge of the costs and benefits of each type. For example, one cost of an IRA is the severe early-withdrawal fee, which is countered by the benefit of contributions reducing taxable income.	Weigh the costs and benefits of each type of retirement plan.

STANDARD EPF.18f

The student will demonstrate knowledge of investment and savings planning by
f) describing how the stock market works.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
The stock market provides an opportunity for firms to raise funds to grow and provides stockholders an opportunity to make gains when those companies are profitable. Stockholders can also lose the money they have invested.	How does the stock market work?	Companies that wish to raise funds for growth can borrow money or sell shares (stock) of their company. To issue stock, firms generally go to investment banks that put together a prospectus with information for potential investors, help determine the market price of the offering, and issue the stocks in the primary market, where they are purchased. This provides businesses with funds to finance growth. A stock exchange where buyers sell their shares is called the secondary market. Trades here are conducted between buyers; none of the money goes to the company. In the secondary market, for every buyer there must be a seller. If there is no buyer or seller, a "specialist" at the stock exchange is required to "make a market." Buyers and sellers may work through a local broker who works through a floor broker at the stock exchange, or they may place orders for trades online. In either case, a commission is charged to pay the costs of the brokerage firms and the stock exchange. When companies make profits, they may keep the profits to help them grow or they may share the profits with shareholders in the form of dividends. Shareholders can make money through dividends or through capital gains. A capital gain occurs when one sells a share for more than one paid for it.	Follow stock prices. Participate in an investment simulation.

STANDARD EPF.18f (continued)

The student will demonstrate knowledge of investment and savings planning by
f) describing how the stock market works.

Essential Understandings	Essential Questions	Essential Knowledge	Essential Skills
		Stock prices are determined by supply and demand based on investor expectations. If a company is expected to be profitable in the future, demand for its shares rises and the price rises; when a company's future looks less-than-profitable, demand decreases and the price falls. When the overall economy is robust and growing, people become optimistic about prospects for business and the stock market goes up. Likewise, when investment interest rates fall, the stock market generally rises. When interest rates rise, the market goes down. When the overall economy is in decline, investors lose confidence and the stock market goes down.	