**Key Terms**

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| Need | Something that is essential for living. |
| Want | A good or service which people would like to have but is not essential for living. People’s wants are unlimited. |
| Economic Problem | That there exists unlimited wants but limited resources to produce the goods and services to satisfy those wants. This creates scarcity. |
| Factors of Production | These are the resources needed to produce goods or services. There are four factors of production and they are in limited supply. |
| Scarcity | The lack of sufficient products to fulfil the total wants of the population. |
| Opportunity Cost | This is the next best alternative given up by choosing another item. |
| Specialisation | This occurs when people and businesses concentrate on what they are best at. |
| Division of Labour | This is when the production process is split up into different tasks and each worker performs one of these tasks. It is a form of specialization. |

**Activity**

Read the case below and answer the following questions:

Gowri plans to start up her own business using her own savings. She wants to produce fashion clothes for women. She is a very good clothes designer but she does not like stitching clothes together. Two friends have offered to help Gowri. Abha is an experienced material cutter – she can cut lengths of material for clothes with very little wastage. Aditi is quick at sewing.

1. What is meant by ‘business’? [2 marks]
2. Identify two factors of production that Gowri will need for her new business. [2 marks]
3. Identify and explain two possible opportunity costs that Gowri may have from her decision to start her own business. [4 marks]
4. Identify and explain one advantage and one disadvantage to Gowri’s business of using division of labour in making clothes. [6 marks]
5. Do you think that Gowri’s business will be able to sell all of the clothes that it makes? Justify your answer. [6 marks]