





Pakistan School
Kingdom of Bahrain

**A warm welcome to all the
students to our virtual class.**



We are going to start our second online economics class today. I hope we all will enjoy and learn.

❖ Rules for class:

- 1) Be on time for all your classes.
 - 2) Respect all the participants of the class.
 - 3) Do not create any disturbance,
 - 4) Pay attention to your teacher.
 - 5) Raise hand if you have a question.
 - 6) Entre into the class with your actual name.
- 




Chapter Three

Subject Matter of Economics







Lesson Objectives:

- By the end of this part of lesson, students will be able to:
 1. Define goods and services and illustrate the kinds of goods.
 2. Define utility and differentiate between positive and negative utility.
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Brain stormng.

- What is the profession of these two? What they provide goods or services?



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- Services: many of our wants are satisfied by the educational skilled (training) qualities of different persons. their personal endeavours are called services in economics i.e. services of a doctor, a teacher , a musicain.
 - Goods: all the commodities which satisfy our wants are called goods in economics. e.g. food, fruits, clothing,shoes,chair,table,pen etc.

Kinds of goods: There are two main kinds of goods which are as follows:

Capital goods: Goods that are used in producing other goods, rather than being bought by consumers e.g. tools , machines, fabric etc.

Consumers Goods: Goods bought and used by consumer, rather than by manufacturers for producing other goods. for example, food , Cloth and jewellery etc.

Difference between goods and services



a good ☐ or a service ☐



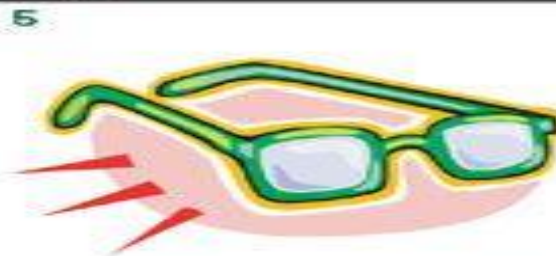
a good ☐ or a service ☐



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a good ☐ or a service ☐



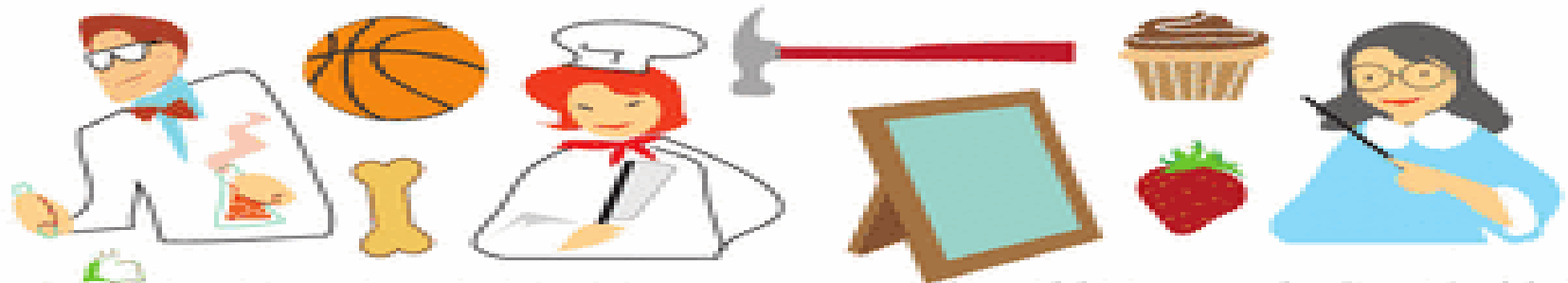
a good ☐ or a service ☐

GOODS & SERVICES

GOODS : Something people want that you can hold or touch. **ex.** orange

SERVICES : Something people do for other people. **ex.** bus driver

DIRECTIONS: CUT OUT the items under the dashed line and paste
GOODS under GOODS and SERVICES under SERVICES.



Types of Goods



Goods

Consumption Goods

Production Goods

Single use
(e.g. bread)

Durables
(e.g. shoes,
chair)

Single use
(e.g. raw
materials)

Durables
(e.g. tools,
machines)

Capital Goods and Consumer Goods & Services

- **Capital goods**
 - Goods that are used to make consumer goods and services
 - Capital inputs include fixed plant and machinery, hardware, software, new factories and other buildings
- **Consumer goods and services**
 - Goods and services which satisfy our needs and wants directly
 - There is a sub-division between:
 - i) **Consumer durables**: Products that provide a steady flow of satisfaction / utility over their working life (e.g. a washing machine or using a smartphone).
 - ii) **Consumer non-durables**: Products that are used up in the act of consumption e.g. drinking a coffee or turning on the heating)
 - iii) **Consumer services**: E.g. a hair cut or ticket to a show



ECONOMICS TOPIC VIDEOS

Difference between consumer and capital goods

AS Level Microeconomics

Hosted by Geoff Riley

Difference between capital and consumer goods.

What are Goods?

Consumer Goods are bought for personal use, not for producing other goods.



Capital Goods are bought for producing other goods.



Thousands of people travelled west across America with all their **Worldly Goods**.



Any physical or tangible product that we can see and touch.

Consumption goods vs. capital goods

Consumption goods

- Bought by consumers to satisfy their needs and wants
- Durable goods – car, TV, radio etc.,
- Non-durable goods – oil, milk, vegetable etc.,
- Semi durable goods – crockery etc.,
- Services – bank, doctor, teacher etc.,

Capital goods

- Which form the capital stock of the country and which is used in the production process
- Durable goods – car used by a company for business purpose
- Stock of raw material, semi finished and finished goods at the end of the financial year which satisfy human wants indirectly

Difference between capital and consumer goods

Can capital goods & consumer goods mix?.....

Yes!

Example: building a taxicab or FedEx truck.... Why??



A factory (**capital good**) creates a taxi car(**consumer good**)

BUT


The taxi car also provides a service to people as a taxicab
(**capital good**)


Identify the consumer goods and Capital goods

plants 	desk 	sugar 
strawberries 	baker 	coal 
doctor 	spoon 	nurse 
computer 	scissors 	school 



Home Work

- Make difference between Capital Goods and Consumer Goods.
 - OR
 - Past some Pictures of goods and services on a chart Paper
- 



Thank you. See
you in the next
lesson.

Utility and its kinds

- Utility: The wants satisfying power of goods and services is called utility.
- **Utility** is the want-satisfying "power" of any commodity or the capacity of a commodity to give satisfaction. ... Some **examples** include the **utility** from eating an apple, from living in a certain house, and from voting for a specific candidate, from having a given wireless phone plan.

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DEFINITION OF UTILITY

25 utils of satisfaction from eating a bowl of ice cream while someone else would only get 5 utils of satisfaction



Total utility: Is the total satisfaction received from consuming a given total quantity of goods and services Is called total utility.

Total utility is the total satisfaction received from consuming a given total quantity of a good or service, while

Marginal utility is the satisfaction gained from consuming an additional quantity of that item.

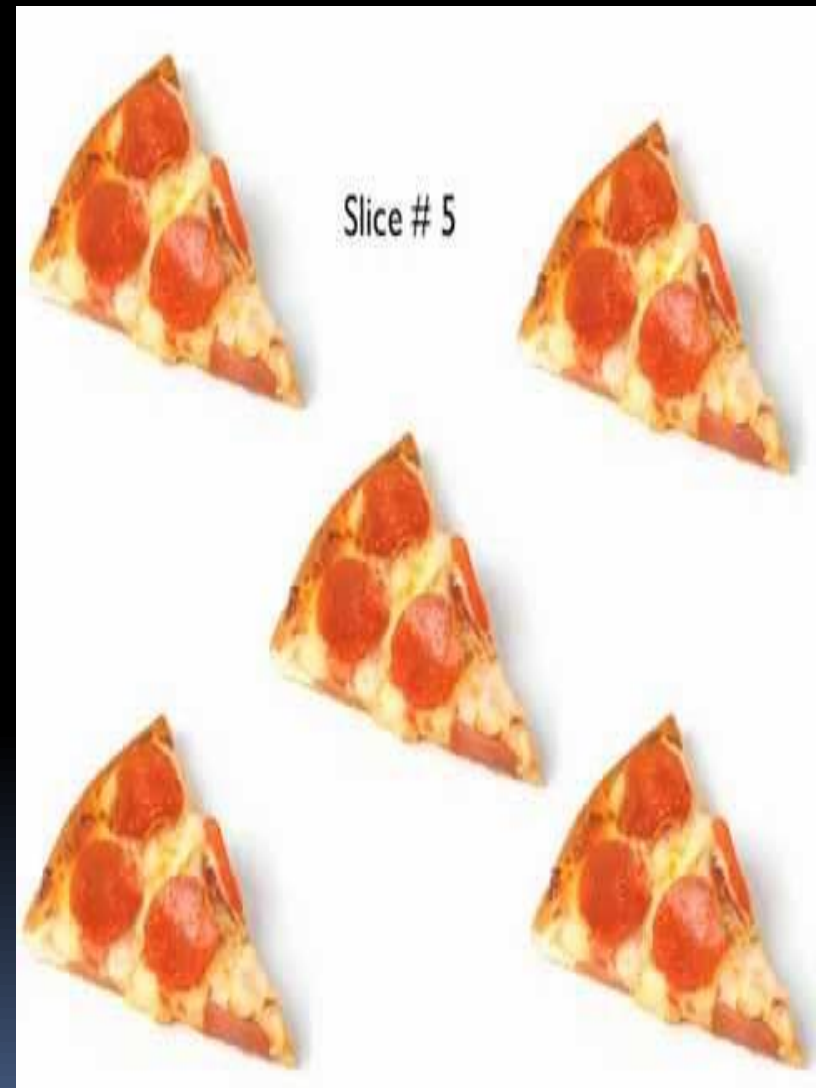
Example of TU & MU

Quantity (Q)	Total Utility TU	Marginal Utility MU
1	30	30
2	55	25
3	75	20
4	90	15
5	98	8
6	98	0
7	88	-10
8	63	-25

Example of TU

Pizza

No of Slices	Utility	Total Utility
1	10	10
2	8	$10+8=18$
3	7	$18+7=25$
4	5	$25+5=30$
5	4	$30+4=34$



Assessment

- If Ali feels thirst and he wants to drink cola what will the total utility, he gain from Cola?

No of cola	Utility	Total Utility
1	15	15
2	12	$15+12=27$
3	11	$27+11=38$
4	9	$38+9=47$
5	7	$47+7=54$

Example of MU

Burger 1

Eating the first burger gives the consumer a lot of *satisfaction* (utility)



Satisfaction thermometer

Burger 2

Eating a second burger will not give as much *extra satisfaction* as the first did (marginal utility)



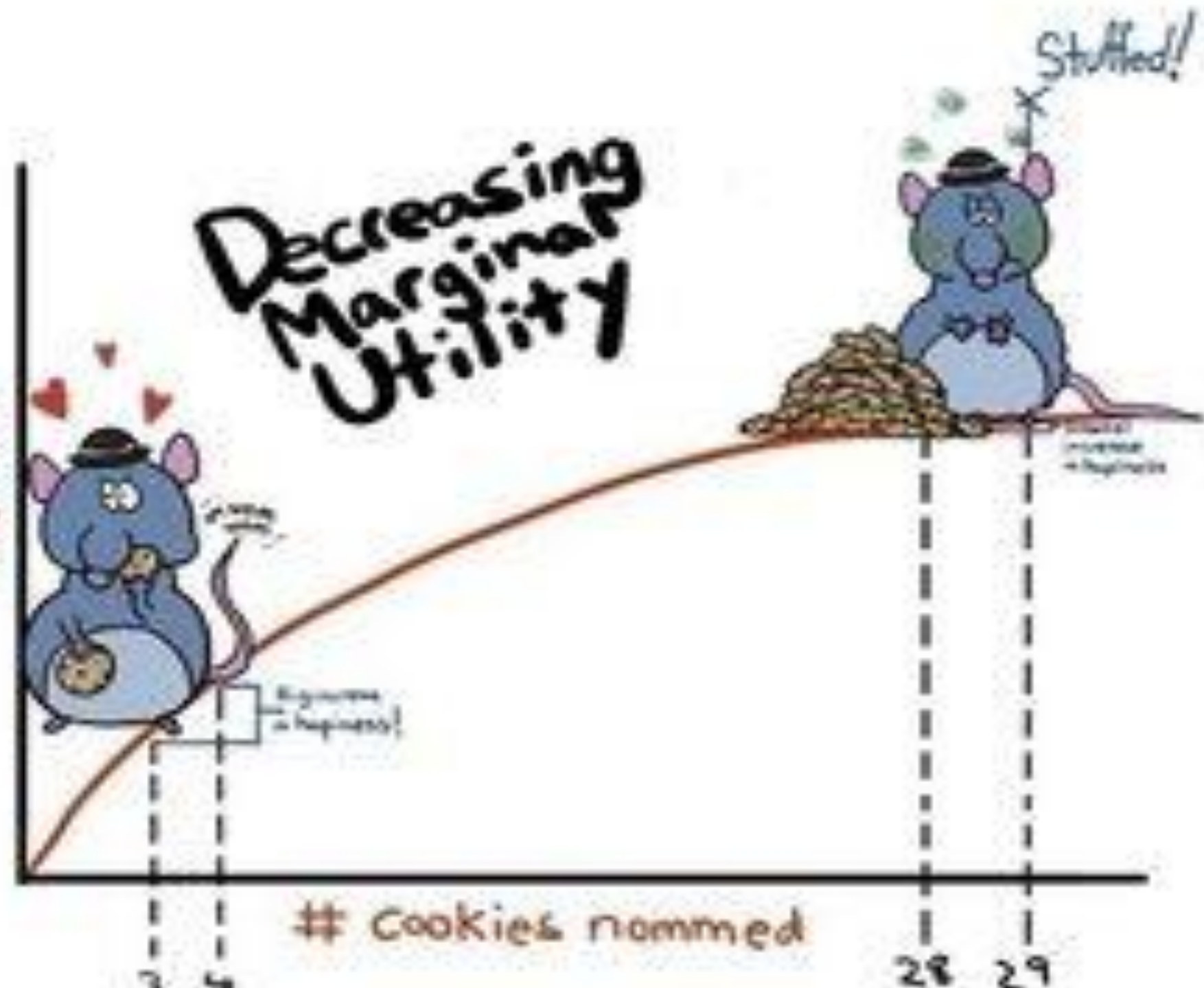
Burger 3

Eating a third burger will give even *less extra satisfaction* than eating the second one (diminishing marginal utility)



Decreasing Marginal Utility

Happiness



The Law of Diminishing Marginal Utility

The law of diminishing marginal utility tells us that the more we consume of something, the less satisfaction we will get from each additional unit of it.



Slice 1: Very high utility

Slice 2: High utility

Slice 6: Low utility

Slice 11: Negative utility

Marginal Utility

Units of Burger	Marginal Utility	Total Utility
1	10	10
2	7	$10+7=17$
3	5	$17+5=22$
4	3	$22+3=25$
5	1	$25+1=26$

PIZZA SLICE #1

UTILITY: EXTREMELY HIGH



PIZZA SLICE #9

UTILITY: EXTREMELY LOW





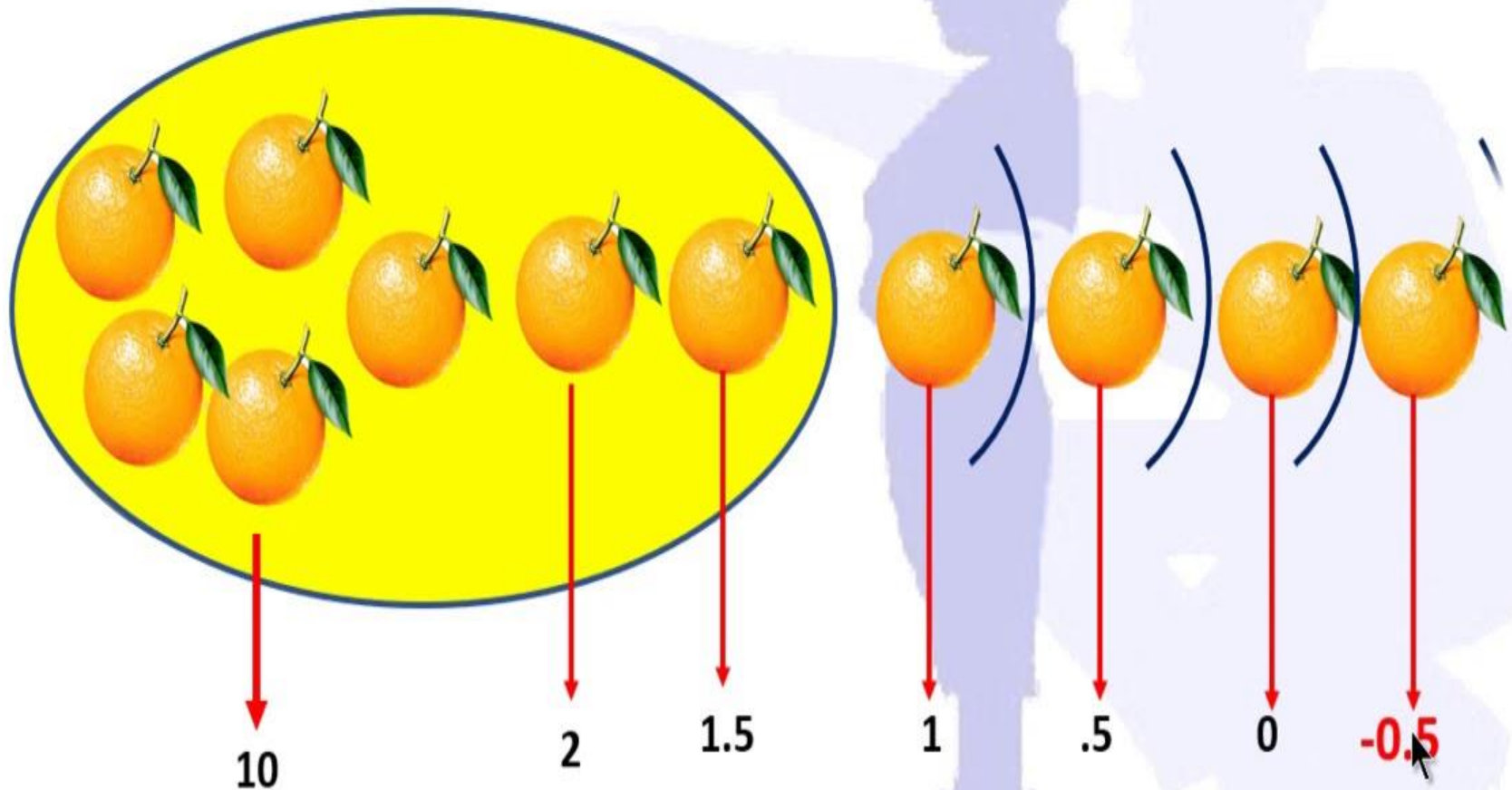
IDEAL COACHING

become your own teacher-



The Law Of Diminishing Marginal Utility

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Assessment

Calculate Marginal Utility

# of Slices of Pizza	Total Utility (in utils)	Marginal Utility/Benefit
0	0	
1	8	
2	14	
3	19	
4	23	
5	25	
6	26	
7	26	
8	24	

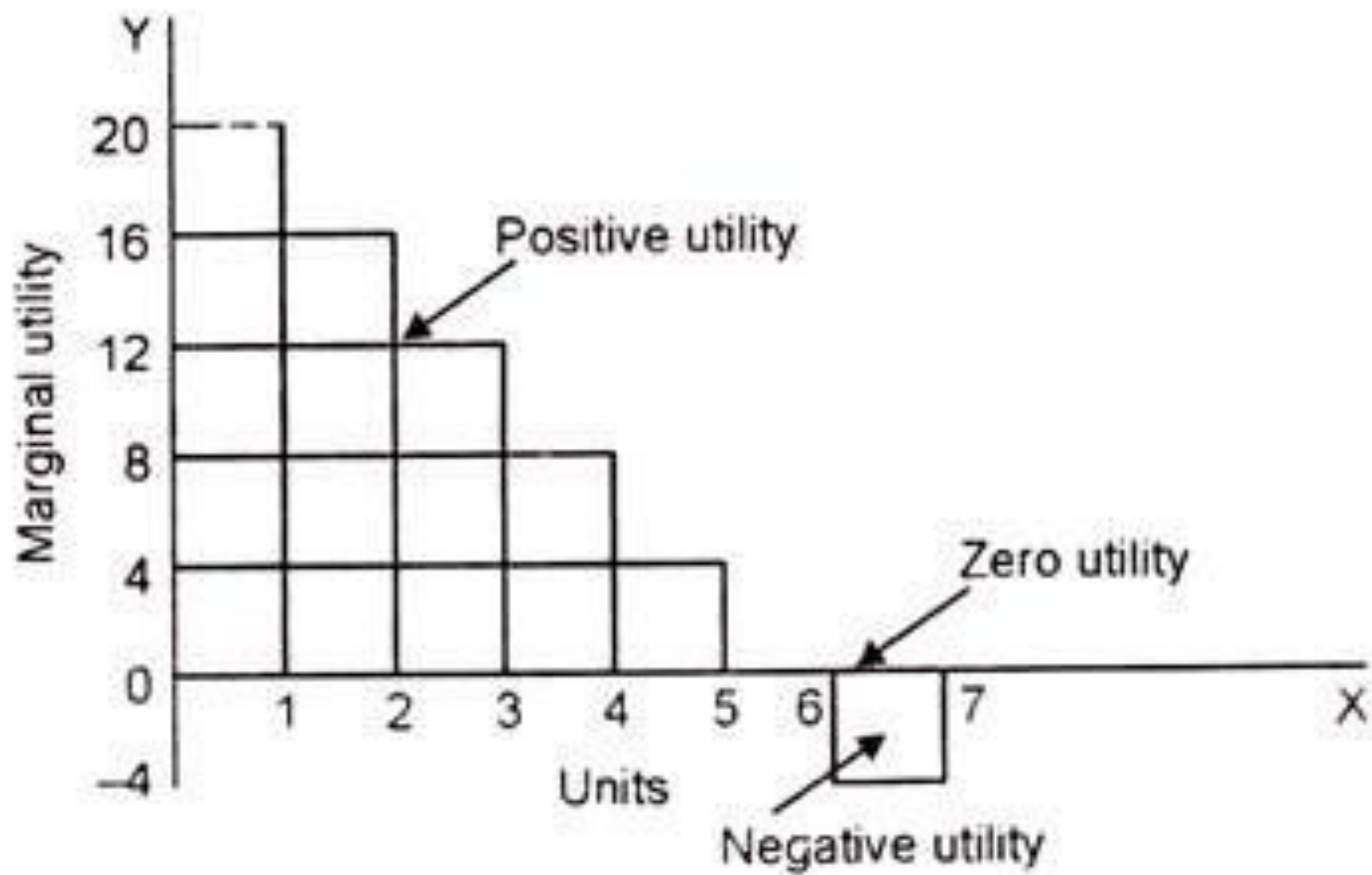
How many pizzas would you buy if the price per slice was \$2?

Positive marginal utility : occurs when the consumption of an additional unit increase the total utility.

Negative marginal utility : Occurs when the use of an additional unit or item decrease the total utility.


Marginal Utility Table

Number of bread	Marginal Utility	Kinds of Marginal Utility
1	20	Positive Utility
2	16	
3	12	
4	8	
5	4	
6	0	Zero Utility
7	-4	Negative Utility



Home work.


- Choose any three questions and write in your notebook.
- What is utility?
- What are the types of Goods?
- What are consumer goods
- Define total utility.
- The continuous consumption of goods and services increase or decrease the utility?



Thank you. See
you in the next
lesson.



Characteristics of wants.

- Wants are unlimited.
 - Wants recur.
 - Wants are competitive.
 - Wants are alternative.
 - Wants are satiable.
 - Wants are complimentary.
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Closure

- Key points:
- Goods and services.
- Capital and consumer goods.
- Utility.
- Total utility.
- Positive utility.
- Negative utility.

WORKSHEET

Name: _____ Date: _____

Does the person provide a good or service? Circle the correct answer.

1.  Good Service	2.  Good Service	3.  Good Service
4.  Good Service	5.  Good Service	6.  Good Service
7.  Good Service	8.  Good Service	9.  Good Service