Lesson 5: Business and Resources

Concepts:

Business: A firm using resources to produce goods and/or services for profit

Human Resources: Physical and mental effort of workers

Capital Resources: Tools, equipment, machines, and buildings

Natural Resources: Fertile land, mineral deposits, plants, animals, water, and solar energy

Activity:

Mr. Jefferson, a 6th grade teacher, tells his class that he is going to talk about business and resources. First, he describes business as an organization using resources to produce goods and/or services for profit. Next, he defines profit as the difference between money made from selling goods and/or services and money spent producing them. Then, he defines resources and gives an example of his class organizing a Saturday fundraising car wash at the school parking lot:

- Human Resources: your effort in washing cars and collecting money
- Capital Resources: buckets, towels, hoses
- Natural Resources: school’s parking lot, water, electricity

Mr. Jefferson, then talks about his father’s business of operating a dairy farm. His dad employed 10 full-time and 4 part-time workers (human resources). He had 3 trucks, 8 computers, 300 milking machines, and hundreds of buckets and containers (capital resources). He owned a large plot of land and 300 cows; he used up much water, gasoline, and electricity every month (natural resources).

To have students better learn these concepts, Mr. Jefferson asks his students to form teams of three. He tells teams to assume they are opening fast-food restaurants and to create catchy names for their restaurants. He passes a worksheet, showing a colored picture of a big, juicy hamburger, and asks each team to answer the following questions:

1. What human resources are used in making hamburgers?
2. What capital resources are used in making hamburgers?
3. What natural resources are used in making hamburgers?
4. How much is your cost of making a big, juicy hamburger?
5. How much is your price of selling a big, juicy hamburger?
6. How many hamburgers you might sell in one month?
7. How much is the **total cost** of all the hamburgers you sell in one month?
8. How much is the **total revenue** from all the hamburgers you sell in one month?
9. How much is the **total profit** from all the hamburgers you sell in one month?

In a footnote, Mr. Jefferson provides the following formulas:

Cost = Payment for resources used in production of one unit of a good or service
Price = Cost + Profit
Profit = A percentage added to the cost (usually between 35 to 50 percent in fast-food business)
Total Cost = Cost * Number of units sold
Total Revenue = Price * Number of units sold
Total Profit = Total Revenue – Total Cost