

Module 1.2 Enquiry 1: A Profitable Saturday?

Learning outcomes	
1	Understand that price provides producers with an incentive or disincentive to supply products and services. The activity lays the foundation for much future work on markets. Concepts will arise in the course of debriefing which can be set as markers for more sophisticated work at a later date.
2	Understand that prices must be above costs for it to be worthwhile supplying goods and services.
3	Bringing the above two learning outcomes together suggests that price will influence whether firms enter or leave a market.

Resources	Student sheets.
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Time	60 minutes, or longer if the teacher develops the debriefing.
Running the activity	<p>Go through the instructions and then announce Round 1.</p> <p>Each pair should note down the reason for their decisions in each round.</p> <p>The teacher should announce the sales after the decisions have been made using the decisions table.</p> <p>It may be useful to give a hint of the market price range at the beginning of each round.</p> <p>Game Instructions</p> <p>Round 1: The street market price for product A, 'a fruit that sings' is £4 and you can buy each at £1. You are the sole buyer of this product and you estimate that you will sell 100 of these.</p> <p>The street market price for product B is £9 and you can buy each at £6. You are the sole buyer of this product and you estimate that you will sell 100 of these. Record your decisions on the Decisions table.</p> <p>Round 2: Another trader is now selling product A. You still have exclusive right to buy product B.</p> <p>Decide which option to go for using the choice cards.</p> <p>Round 3: The cheap supply of product B has dried up. Your decision is whether to sell product A or do nothing. You can still sell any stock from last week.</p> <p>Unfortunately there are now three traders as well as you in the High Street.</p> <p>You should consider what would happen to the price and the amount supplied and bought before making your decision.</p> <p>Round 4: The market is very competitive and you estimate prices will fall to £2.00 for each item sold and you will have a market share of 20% if all traders trade. The total market sales is estimated to be 200.</p> <p>Round 5: You feel the market is saturated and that demand is falling. After all, how many singing pieces of fruit can you sell? You think that sales may fall by at least one quarter.</p>

<p>Debriefing</p> <p>Debriefing should consider what influenced decisions in each round. Why might prices fall? How did the sellers react to this? At what price did some sellers leave the market? What might happen if prices rose again? Did the unsold stocks have any effect on decision-making? Why would most opt for deal A in Round 1?</p> <p>The debriefing should then move on to real world examples of products in contestable and non-contestable markets. The teacher should photocopy some articles from this and get the students to extract up to ten key points before bringing this into the discussion.</p> <p>The true or false statements on page 3 are designed to confirm the understanding of the learning outcomes.</p>

Table of Decisions


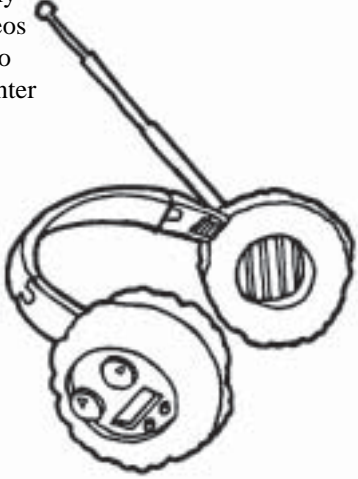


Round	Singing fruit product A		Personal stereo product B	
	Price	Amount sold	Price	Amount sold
1	£4	100	£9	100
2	£4	20		
2	£3.50	60		
2	£3.00	75	£9	100
3	£4	15		
3	£3.50	30		
3	£3.00	40		
3	£2.50	50		
3	£2.00	60		
4	£3.50	10		
4	£3.00	20		
4	£2.50	30		
4	£2.00	40		
5	£3.50	7		
5	£3.00	15		
5	£2.50	23		
5	£2.00	30		

Module 1.2 Enquiry 1: A Profitable Saturday?

You sell gimmicky products on the High Street on Saturdays. There are all sorts of decisions to make. What will you sell? At what price? It's a cold day – is it worth it? Is it easier to have a regular job?

Each round is a Saturday's trading.

There are four options open to you.

<p>Option 1 Deal in pieces of fruit that says 'Ouch don't squeeze me' when touched .</p> 	<p>Option 2 Deal in amazingly fab personal stereos with ear muffs. So cool for those winter days.</p> 
<p>Option 3 Stay at home and don't sell this round.</p> 	<p>Option 4 Give up and get a regular Saturday job. You can work in a local shop for the day and take home £35.</p> 

Within product options A and B you must decide how many you will buy and what price you will sell at.

If you decide to deal and become a seller for a day you will work for ten hours. You don't pay yourself any wages, but will take the surplus.

Choice cards

Talking fruit

These are your choices:

Sell at £4.00

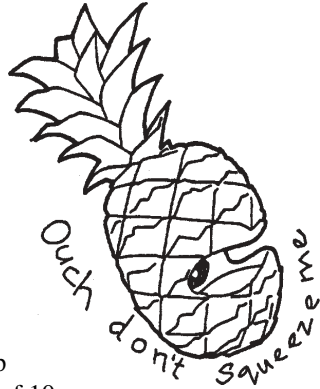
Sell at £3.50

Sell at £3.00

Sell at £2.50

Sell at £2.00

You can buy up to 100 in units of 10.



Ear-muff stereo

These are your choices:

Sell at £9.00

You can buy up to 100 in units of 10.



Stay in bed

Stay in bed and read your Business and Economics textbook



Get a job

You decide to give up selling and get a regular Saturday job in Waitrose.



Decision table

Round	Decision (option) and reason	Amount bought	Selling price	Total sold	Total costs	Total income	Surplus
1							
2							
3							
4							
5							

True or false?

You have to decide which of these paired statements is true or false? Assume they refer to the same product . Then complete the sentences for the correct statements.

More suppliers will lead to a lower price for customers because

or

More suppliers will lead to an increase in prices for customers since



High prices attract more suppliers because.....

.

or

High prices means fewer suppliers because.....



If there are plenty of suppliers of a similar product then prices between suppliers are likely to be similar because.....

.

or

If there are plenty of suppliers of a similar product then prices between suppliers are likely to vary in order to.....



A fall in selling prices would mean some suppliers producing more in order to

or

A fall in selling prices would mean some suppliers would reduce supply and others would no longer supply the product at all because

*This document has been downloaded from the Nuffield Economics and Business website
www.necb.org*