

Economics and Personal Finance
Standards of Learning
Approved: November 17, 2009

Students need a strong foundation in economics and personal finance to function effectively as consumers, workers, savers, investors, entrepreneurs, and active citizens. The *Standards of Learning for Economics and Personal Finance* present economic concepts that help students interpret the daily news, understand how interdependent the world's economies are, and anticipate how events will impact their lives. The understanding of how economies and markets operate and how the United States' economy is interconnected with the global economy, prepares students to be more effective participants in the workplace. On a personal level, students learn that their own human capital (knowledge and skills) is their most valuable resource and that investing in education and training improves the likelihood of their future economic success.

The *Standards of Learning for Economics and Personal Finance* also help students develop thinking skills that include analyzing real-world situations, economic reasoning, decision making, and problem solving. The topics of economics and personal finance teach that resources are limited; thus, people must make choices that may include substitutions or alternatives. Students practice using a set of tools for analyzing choices of all types, including those related to personal finance. Students learn the benefits of compound interest over time and that poor money management can lead to difficulty in obtaining credit. Students practice weighing costs and benefits of options when making choices about such things as careers, insurance, housing, investments, savings, automobiles and health care. Students practice these skills as they extend their understanding of the essential knowledge defined by the *Standards of Learning for Economics and Personal Finance*.

- EPF.1 The student will demonstrate knowledge of basic economic 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;
 - b) explaining that choices often have long-term unintended consequences;
 - c) describing how effective decision making requires comparing the additional costs (marginal costs) and additional benefits (marginal benefits);
 - d) identifying factors of production;
 - e) comparing the characteristics of market, command, tradition, and mixed economies; and
 - f) identifying Adam Smith and describing the characteristics of a market economy.
- EPF.2 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;
 - b) explaining how businesses respond to consumer sovereignty;
 - c) identifying the role of entrepreneurs;
 - d) comparing the costs and benefits of different forms of business organization, including sole proprietorship, partnership, corporation, franchise, and cooperative;
 - e) describing how costs and revenues affect profit and supply;
 - f) describing how increased productivity affects costs of production and standard of living;
 - g) examining how investment in human capital, capital goods, and technology can improve productivity;

- h) describing the effects of competition on producers, sellers, and consumers;
- i) explaining why monopolies or collusion among sellers reduces competition and raises prices; and
- j) illustrating the circular flow of economic activity.

EPF.3 The student will demonstrate knowledge of the price system by

- a) examining the laws of supply and demand and the determinants of each;
- b) explaining how the interaction of supply and demand determines equilibrium price;
- c) describing the elasticity of supply and demand; and
- d) examining the purposes and implications of price ceilings and price floors.

EPF.4 The student will demonstrate knowledge that many factors affect income by

- a) examining the market value of a worker's skills and knowledge;
- b) identifying the impact of human capital on production costs;
- c) explaining the relationship between a person's own human capital and the resulting income potential; and
- d) describing how changes in supply and demand for goods and services affect income.

EPF.5 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;
- b) describing the causes and effects of unemployment, inflation, and reduced economic growth;
- c) describing the fluctuations of the business cycle; and
- d) describing strategies for achieving national economic goals.

EPF.6 The student will demonstrate knowledge of the nation's financial system by

- a) defining the role of money; and
- b) explaining the role of financial markets and financial institutions.

EPF.7 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;
- b) describing government's role in stabilizing the economy;
- c) describing sources of government revenue; and
- d) explaining balanced budget, deficit, and national debt.

EPF.8 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;
- b) identifying the role the government plays in providing a legal structure to protect property rights and enforce contracts;
- c) providing examples of government regulation of the market;
- d) explaining that governments redistribute wealth; and
- e) explaining that taxes and fees fund all government-provided goods and services.

EPF.9 The student will demonstrate knowledge of the global economy by

- a) explaining that when parties trade voluntarily, all benefit;
- b) distinguishing between absolute and comparative advantage;

- c) distinguishing between trade deficit and trade surplus;
- d) explaining exchange rates, and the impact of a strong dollar and weak dollar on economic decisions;
- e) describing the costs and benefits of trade barriers;
- f) describing the effects of international trade agreements and the World Trade Organization; and
- g) explaining growing economic interdependence.

EPF.10 The student will develop consumer skills by

- a) examining basic economic concepts and their relation to product prices and consumer spending;
- b) examining the effect of supply and demand on wages and prices;
- c) describing the steps in making a purchase decision, including the roles of marginal benefit and marginal cost;
- d) determining the consequences of conspicuous consumption;
- e) describing common types of contracts and the implications of each;
- f) demonstrating comparison-shopping skills;
- g) maintaining a filing system for personal financial records;
- h) examining the impact of advertising and marketing on consumer demand and decision making in the global marketplace;
- i) accessing reliable financial information from a variety of sources;
- j) explaining consumer rights, responsibilities, remedies, and the importance of consumer vigilance; and
- k) examining precautions for protecting identity and other personal information.

EPF.11 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;
- b) comparing the advantages and disadvantages of renting vs. purchasing a home;
- c) describing the process of renting housing;
- d) describing the process of purchasing a home;
- e) calculating the cost of utilities, services, maintenance, and other housing expenses; and
- f) evaluating discretionary spending decisions.

EPF.12 The student will demonstrate knowledge of banking transactions by

- a) comparing the types of financial institutions;
- b) examining how financial institutions affect personal financial planning;
- c) evaluating services and related costs associated with personal banking;
- d) differentiating among types of electronic monetary transactions;
- e) preparing all forms necessary for opening and maintaining a checking and a savings account;
- f) reconciling bank statements;
- g) comparing costs and benefits of online and traditional banking; and
- h) explaining how certain historical events have influenced the banking system and other financial institutions.

EPF.13 The student will demonstrate knowledge of credit and loan functions by

- a) evaluating the various methods of financing a purchase;
- b) analyzing credit card features and their impact on personal financial planning;

- c) identifying qualifications needed to obtain credit;
- d) identifying basic provisions of credit and loan laws;
- e) comparing terms and conditions of various sources of consumer credit;
- f) identifying strategies for effective debt management, including sources of assistance;
- g) explaining the need for a good credit rating;
- h) comparing the costs and conditions of secured and unsecured loans; and
- i) comparing the types of voluntary and involuntary bankruptcy and the implications of each.

EPF.14 The student will demonstrate knowledge of the role of insurance in risk management by

- a) evaluating insurance as a risk management strategy;
- b) distinguishing among the types, costs, and benefits of insurance coverage, including automobile, life, property, health, and professional liability; and
- c) explaining the roles of insurance in financial planning.

EPF.15 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;
- b) differentiating among sources of income;
- c) calculating net pay;
- d) investigating employee benefits and incentives; and
- e) completing a standard W-4 form.

EPF.16 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;
- b) exploring how tax structures affect consumers, producers, and business owners differently;
- c) computing local taxes on products and services;
- d) examining potential tax deductions and credits on a tax return;
- e) explaining the content and purpose of a standard W-2 form; and
- f) explaining the similarities and differences between state and federal taxation of inheritances.

EPF.17 The student will demonstrate knowledge of personal financial planning by

- a) identifying short-term and long-term personal financial goals;
- b) identifying anticipated and unanticipated income and expenses;
- c) examining components and purposes of a personal net worth statement;
- d) developing a personal budget;
- e) investigating the effects of government actions and economic conditions on personal financial planning; and
- f) explaining how economics influences a personal financial plan.

EPF.18 The student will demonstrate knowledge of investment and savings planning by

- a) comparing the impact of simple interest vs. compound interest on savings;
- b) comparing and contrasting investment and savings options;
- c) explaining costs and income sources for investments;
- d) examining the fundamental workings of Social Security and the system's effects on retirement planning;
- e) contrasting alternative retirement plans; and

f) describing how the stock market works.

