

Activity 2: What's the Opportunity Cost?

Name: _____ Date: _____

Directions: Discuss each situation in your group. Write down the decision you reach and the reason for your answer. Identify the opportunity cost in each situation.

Situation One

Bill is interested in being a basketball referee. In order to get certified and known as an official, he needs to attend a camp for basketball officials. At this camp, Bill will learn instruction about refereeing, referee at least four games, be seen by people who assign officials to games from the grade school level through high school varsity level, and meet other officials. If Bill gets hired to games, he will make a minimum of \$20.00 a game, possibly more. Bill does not have the \$350.00 in his monthly budget to cover the cost of the camp. Should Bill attend the camp?

Situation Two

Sally is looking to buy a five-year-old, used Mustang convertible. It will cost her \$9,500.00 to buy the car, plus insurance. She believes this car will make her very popular at school, make it easier to get dates, and will bring a lot of attention her way. Her parents are willing to provide her with a ten-year-old station wagon and will pay for all costs of this car except the gas Sally uses. Sally has \$5,000.00 in her savings account and monthly income of \$450.00. Which car should Sally get?

Situation Three

Claudio wants to become a teacher. He wants to go to the best school in the state which has a great School of Education. This School of Education has a very positive national reputation and places 85% of its graduates in good paying teacher positions. However, since the school is located on the other side of the state, Claudio would not be able to go to school and live at home. He would have to pay tuition and the cost of living in a dorm, food, and other expenses. The university in his hometown has a School of Education which has an average reputation and places 75% of its graduates in jobs. However, the average starting pay for teachers who attend the local university averages \$3,500 a year less than the starting pay for teachers who attended the university with the nationally known School of Education. Claudio would have to borrow money to attend the better school and will have about \$15,000 in debt after he finishes college. Should he do this?