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Lesson 01: Money and The Economy

Money and Income:

Currency is the money used in a country (such as; Euros, Dollars, Yen,). Money in bank notes and coins is called cash. Most money, however, consists of bank deposits; money that people and organizations have in bank accounts. Most of this is on paper and only about ten percent of it exists in the form of cash in the bank.

Personal Finance presents all the money a person receives or earns as payment is his or her income.

This can include:

- **Salary**: which presents money paid monthly by an employer?

- **Wages**: money paid by the day or the hour, usually received weekly.

- Overtime: money received for working extra hours.

- Commission: money paid to salespeople and agents, a certain percentage of the income the employee generates.

- Bonus: extra money given for meeting a target or for good financial results.

- Fees: money paid to professional people such as lawyers and architects.

- **Social security**: money paid by the government to unemployed or sick people.

- **Pension**: money paid by a company or the government to a retired person.

Salaries and wages are often paid after deductions such as social security and pension contributions.

The amounts of money that people have to spend regularly are **outgoings**. These often include:

-**Living expenses**: money spent on everyday need such as; food, clothes and

public transport.

- Bills: requests for the payment of money owed for services such as; electricity,

gas and telephone connections.

- Rent: the money paid for the use of a house or a flat.

- **Mortgage**: repayments of money borrowed to buy a house or flat.

- **Health insurance**: financial protection against medical expenses for sickness

or accidental injuries.

- **Tax**: money paid to finance government spending.

- A financial plan, showing how much money a person or organization expects to earn and spend is called **budget.**

English	Arabic
Currency	عملة
Commission	عمولة
Earn	مكسب
Tax	ضريبة
Pension	راتب تقاعدي
Living expenses	نفقات المعيشة
Health insurance	التامين الصحي
Fees	رسوم
Salary	اجرة

English	Arabic
Outgoing	نفقات
Bonus	علاوة
Mortgage	قرض عقاري
Overtime	عمل إضافي
Rent	اجار
Bills	فواتير
Coins	عمولات معدنية
Personal finance	تمويل شخصي
Social security	ضمان اجتماعي

Activity: complete the sentences with the words from the box:

Commission	overtime	bonus	pension	currency
rent	earn	salary	mortgage	social security	tax

1. After I lost my job, I was living on…………………. for three months. This was difficult, because the amount was much lower than the ………………. I had before.
2. I used to work as a salesperson, but it wasn't very successful, so I didn't …………. Much……………..
3. If the company makes 10% more than last year, we'll all get a ………………. at the end of the year.
4. It'll take me at least 25 years to repay the ……………on my house.
5. Many European countries now have the same…………………, the euro.
6. My wages aren't very good, so I do a lot of…………………….
7. Nearly 40% of everything I earn goes to the government as ………………….
8. The owner has just increased the ………………...on our flat by 15%.
9. When I retire, my …………….. will be 60% of my final salary.

Lesson 02: The concept of production.

The aim of any economic activity is to produce goods and provide services.

Production is therefore the transformation of the input into the output, by means of different productive processes.

To produce any article or to provide any service depends upon some factors or agents of production, also called factor resources. There are two broad types of factors of production: human factors and non-human factors. The human factors consist of labour and enterprise, and the non-human factors refer to land and capital.

-Labour: describes the productive services, that is to say, the human physical efforts, skills and intellectual abilities.

-Entreprise: refers to the way in which the structural organization of production is made.

-Land: denotes the natural resources of the universe, such as the earth, the sun, lakes, rivers, animals, etc.

-Capital: consists mainly of finance and other resources, such as factories, means of production, roads, etc.

As far as production is concerned, we distinguish two kinds: **direct production** and **indirect production**. The former implies that the worker produces for his own needs, whereas the latter refers to chain of productive processes. This chain can be divided into three major processes:

Primary process: deals with the extraction of raw materials: mining.

Secondary process: in this process, the raw materials are transformed into manufactured goods. Eg. Car manufacturing.

Tertiary process: in which the finished article is made available and displayed to the consumer.

English	**Arabic**
Production	انتاج
Services	الخدمات
Productive process	عملية الإنتاج
Labour	العمل
Land	الأرض
Human factors	عوامل بشرية

English	**Arabic**
Transformation	تحويل
Goods	السلع
Extraction	استخراج
Enterprise	تنظيم
Capital	راس المال
Non-human factors	عوامل غير بشرية

Activity one: answer the following questions. Use your own words as much as possible.

- What is the main aim of any economic activity?
- What are the factors of production?
- What is meant by indirect production?
- What is meant by direct production?
- What are the major processes of production?

Activity two: Say whether the following statements are true or false:

- The production of goods and the provision of services are economic activities.
- The transformation of the input into the output is not a productive process.
- Goods and services require a combination of labour, enterprise, land and capital.
- Direct production requires a chain of productive processes.
- The productive processes are not interdependent for the end product.

Lesson 03: Demand

Demand is the quantity of goods or services that customers are willing and able to purchase during a **specified period**.

In Economics, demand is the **desire** to own anything, **the ability to pay** and **willingness** to pay for it.

Different types of demand:

- **Direct Demand**: refers to demand for goods meant for final consumption, it is a demand for consumers' goods like food items, and houses.
- **Derived Demand**: refers to demand for goods which are needed for further production, it is the demand for producers' goods like industrial raw materials, machine tools and equipment.

Factors affecting demand:

1. Price of goods: the basic demand relationship is between potential prices of goods and the quantities that would be induce a decrease in the quantity demanded, it is a negative relationship.
2. Price of related goods: the principle related goods are: Substitute and Complements.

- Substitute goods demand is increased when the price of another product is increased.

There is a direct relationship between a price change for one good and the market demand for the other.

Example of substitute goods: Margarine and Butter, or Petroleum and Gas, Coca Cola and Pepsi, Tea and Coffee.

- **Complements:** goods that are jointly consumed in the market

There is an inverse relationship between a price change for one good and the market demand for the other.

Example of complement goods: Cd players and Cds, computers and printers, pencils and paper.

3. **Income**: in the most cases, the more income you have the more likely you buy, so there is a positive relationship between income and demand.
4. **Tastes and Preferences:** it depends on people's behavior.
5. **Consumer expectation about future prices and incomes:**

- ✓ If consumers believe that prices of goods will be higher in the future, they are more likely to purchase the goods now.
- ✓ If the consumer expects that their income will be higher in the future the consumer may buy the goods now.
- ✓ In other words, positive expectations about future income may encourage present consumption.

Demand schedule:

The demand schedule shows the quantity of commodity that consumers are willing and able to buy at specific prices.

It is also a table showing the quantity of commodity that consumers are willing and able to purchase, over a given period of time at each price of the commodity, while holding constant all other variables.

Demand curve:

The demand curve represents a simple relationship; it tries to demonstrate how many items of product or service a consumer would like to purchase at different prices.

Demand curve is a relationship of price and quantity demanded and can be exhibited graphically (demand curve). This curve is generally negatively sloped.

Lesson 04: Supply

- Supply is the amount of some product producers are willing and able to sell at a given price.
- Supply is the amount of some product which is available to customers.
- Supply is the total amount of a product (goods or services) available for purchase at any specified price.

Factors affecting supply (determinants):

1**- The price of goods**:

The basic supply relationship is between the price of goods and the quantity supplied.

The relationship is positive or direct, meaning that an increase in price will induce and increase in the quantity supplied.

2- The price of inputs:

Inputs include land, capital, labour and the entrepreneurship, if the price of inputs increases, the supply curve will shift in as sellers are less willing or able to sell goods at existing prices.

For example: If the price of electricity increased, a seller may reduce his supply because of the increased costs of production. The seller is likely to raise the price according to the rise in charges for each unit of output.

3- The Number of Producers in the Market:

As more or fewer producers enter the market, this has a direct effect on the amount of a product that producers (in general) are willing and able to sell. More competition usually means a reduction in supply, while less competition gives the producer a chance to have a bigger market share with a larger supply.

4- Conditions of productions:

The most significant factor here is the state of technology, if there is a technological advancement in one's production, the supply increases.

5- Expectations:

Sellers' expectations concerning future market conditions can directly affect supply, if the seller believes that the demand for his products will sharply increase in the foreseeable future, the firm owners may immediately increase production in anticipation of future price increases.

6- Government policies and Regulations:

Government intervention can have a significant effect on supply. Government intervention can take many forms including environmental health, regulation, hour and wage, laws, taxes, electrical and natural gas rates, and zoning and land use regulations.

Lesson 05: Activities

Activity one: fill in the blanks with the appropriate words from the box:

Willing	decrease	able	substitute	increase	complementary	decreases

1. Demand is the quantity of goods that consumers are ………. and ……..... to purchase.
2. When the price of a product increases, the demand for it usually **…………….**
3. .... goods are those that can replace each other, such as tea and coffee.
4. If the price of gasoline rises, the demand for cars may ………….... because gasoline is a …………… good for cars.
5. When consumers expect prices to rise in the future, their demand for the product will ………. now.

Activity two: say whether each statement is true or false:

1. Demand only depends on price, and no other factors affect it.
2. Complementary goods are used together, like cars and fuel.
3. Higher income generally leads to higher demand for goods.
4. If the price of a product is expected to increase in the future, demand will decrease today.
5. The demand curve is usually downward-sloping.
6. If two products are substitutes, an increase in the price of one will increase demand for the other.

Activity three: translate the following text into Arabic.

Demand plays an important role in the economy because it guides businesses in deciding what to produce and how much to produce. When consumer demand for a product increases, companies often increase production to meet that demand. On the other hand, if demand decreases, production is usually reduced to avoid losses. By understanding demand, businesses can make smarter decisions and better respond to market needs. Several factors affect demand, including the price of the product, consumer income, personal preferences, and the prices of related goods.