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| **TEXAS CTE LESSON PLAN**[www.txcte.org](http://www.txcte.org) |
| **Lesson Identification and TEKS Addressed** |
| **Career Cluster** | Business Management & Administration |
| **Course Name** | Principles of Business, Marketing, and Finance |
| **Lesson/Unit Title** | Prices in Private Enterprise System |
| **TEKS Student Expectations** | **130.132. (c) Knowledge and Skills**(2) The student describes the characteristics of business(A) The student is expected to explain the principles of supply and demand(4) The student differentiates between the types of economic systems with emphasis on the private enterprise system and the U.S. economy(B) The student is expected to summarize the characteristics of the private enterprise system |
| **Basic Direct Teach Lesson**(Includes Special Education Modifications/Accommodations and one English Language Proficiency Standards (ELPS) Strategy) |
| **Instructional Objectives** | Upon completion of this lesson, the student will explain how prices are determined in a private enterprise system.* Describe how supply and demand affect prices of products and services.
* Describe how America’s private enterprise economy works.
* Discuss how the selling price of a product is calculated.
* Explain the reasons why price is an important marketing tool.
* Demonstrate how the economic concept of elasticity of demand relates to pricing decisions.
* Describe the three primary ways in which government influences prices.
* Describe three common pricing objectives for businesses.
* Explain how businesses establish a price range for a product.
* Identify the three components that must be considered when determining the selling price.
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| **Rationale** | Prices of goods and services affect the profit of a business and are affected by many factors, such as supply and demand. This lesson provides an overview of how prices are determined in a private enterprise system and includes student activities. |
| **Duration of Lesson** | Teacher’s Discretion |
| **Word Wall/Key Vocabulary***(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | * price-actual amount customers pay and the methods of increasing the value of the product to the customers
* elasticity of demand-describes the relationship between changes in a product’s price and the demand for that product
* inelastic demand-market situation in which a price decrease will decrease total revenue
* elastic demand-market situation in which a price decrease will increase total revenue
* selling price-the price charged for a product or service
* product cost-includes the cost of parts and raw materials (or the price paid to a supplier for finished products), labor, transportation, insurance, and an amount for damaged, lost, or stolen products
* gross margin-the difference between the cost of the product and the selling price
* operating expenses-all costs associated with business operations
* net profit-the difference between the selling price and all costs and operating expenses associated with the product sold
* markup-am amount added to the cost of a product to determine the selling price
* markdown-a reduction from the original selling price
* market price-point where supply and demand are equal
* skimming price-very high price designed to emphasize the quality or uniqueness of the product
* penetration price-very low price designed to increase the quantity sold of a product by emphasizing the value
* non-price competition-when business decide to emphasize factors of their marketing mix other than price
* one-price policy-all customers pay the same price
* flexible pricing policy-allows customers to negotiate the price within a price range
* price lines-distinct categories of prices based on differences in product quality and features
* FOB pricing-identifies the location from which the buyer pays the transportation costs and takes title to the products purchased
* zone pricing-different product or transportation costs are set for specific areas (zones) of the seller’s market
* discounts and allowances-reductions in a price given to the customer in exchange for performing certain marketing activities or accepting something other than what would normally be expected in the exchange
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| **Materials/Specialized Equipment Needed** |  1. Customer Service GAP Assignment #1
2. Customer Service GAP Assignment #1 Rubric
3. Ethics and Pricing Assignment #2
4. Ethics and Pricing Assignment #2 Rubric
5. Price Line Assignment #3
6. Price Line Assignment#3 Rubric
	1. PRICE ELASTICITY Assignment
	2. PRICE ELASTICITY Assignment Rubric

10. Internet1. Construction paper
2. Scissors and glue
3. Poster board
4. Newspapers
5. Computers for students to complete projects
6. Projector for PPT
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| **Anticipatory Set**(May include pre-assessment for prior knowledge) | 1. Ask students how much they are willing to spend on lunch at their favorite restaurant. Then ask students if they would still go to the restaurant if it raised prices by 20%. Elasticity is how consumers respond to increased prices.
2. Ask students what the objective is for the “Monopoly” game. Then ask students why the U.S. government prohibits monopolies.
3. Ask students to comparison shop to determine the price charged for a bottle of coke at three different types of stores. Then ask students why there is such a variation in price for the same product. Explain how limited supply, convenience, and consumer demand make a big difference in the prices being charged by the three businesses.
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| **Direct Instruction \*** | 1. Ask students why clothing stores periodically mark down prices on clothing. Then explain how clothing is a good that can become obsolete quickly. The store must move the merchandise, so there is a plan of markdowns to clear the merchandise.
2. Ask students why the price of a new automobile may be considerably higher than the price advertised on a television commercial. Explain how all of the extras on the sticker price can add thousands of dollars to the price of the new car.
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| **Guided Practice \*** | Give students a list that contains the categories ofretail stores in sections C, D, and E. Then give students five minutes to write the name of a store for each category. This activity is a good ice breaker for the lesson about retailers. |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | 1. **Customer Service GAP Assignment:** A customer service gap is the differencebetween customers’ expectations of a service and the actual service they receive. Ask students to recall the last time they purchased a service. Did the performance meet their expectations? Was the price charged directly related to the quality of service provided? What improvements could the business implement to improve the service? Then ask students to prepare a PowerPoint presentation to explain the experience and suggestions for improvements.
2. **Ethics and Pricing Assignment:** Ticket scalping is prohibited in many states,yet individuals scalp tickets to attend highly demanded events. Ask students to conduct research to determine the meaning of ticket scalping and then research the policy of ticket scalping for a chosen state. Students must prepare a one-page report about ticket scalping, free market economy, and supply and demand.
	1. **Price Line Assignment:** Ask students to select a product or service that has twoto three price lines. Then have students create a table with one column for the name of he product or service and one column for each price line. In each price line column, students must list the features that correspond to the price. Then students will prepare a poster that reflects your findings.
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| **Lesson Closure** | 1. What are three factors considered when determining prices?
2. Pricing factors include supply and demand, uniqueness, age, season, complexity, and convenience for the product.
3. What is gross margin?
4. Gross margin is the markup or amount added to the cost of a product.
5. What is a markdown?
6. Markdown is a reduction from the original selling price.
7. How flexible is the price for a product?
8. Price can be changed more quickly than other marketing decisions.
9. What are four forms of economic utility?
10. Four forms of economic utility include form, time, place, and possession.
11. What is an inelastic demand?
12. Inelastic demand means that when prices are reduced, individuals are not stimulated to purchase more; the price decrease will decrease total revenue.
13. What is elastic demand?
14. Elastic demand means that lowered prices will increase total sales.
15. How do prices charged by a business create an image?
16. Some people associate high prices with superior quality or service.
17. What is breakeven point?
18. Breakeven point is the quantity of a product that must be sold for total revenues to match total costs at a specific price.
19. What are operating expenses?
20. Operating expenses are all costs associated with actual business operations.
21. What is an example of non-price competition?
22. Offering superior service is an example of non-price competition.
23. What does FOB involve?
24. FOB determines if the shipper or buyer will pay shipping costs.
25. What is a rebate?
26. A rebate is a discount coupon that can be mailed in after the purchase to receive a discount.

**PRICE ELASTICITY**Ask students to select two products or services that consumers can purchase. Then have students record three prices for each product or service—a low, average, and high price. Survey 20 people and ask them (1) if they would buy the items at the different price levels and (2) how many of the items they would buy at one time at the different price levels. Create a table to show the elasticity of demand for each item based upon survey results.**Informal Assessment** 1. Instructor will observe students during Independent Practice.
2. Instructor will assist students as needed.
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| **Summative / End of Lesson Assessment \*** | Assigned Rubrics will be used to assess assignments 1, 2, and 3 for Independent PracticeAccommodations for Learning Differences:It is important that lessons accommodate the needs of every learner. These lessons may be modified to accommodate your students with learning differences by referring to the files found on the Special Populations page of this website. |
| **References/Resources/****Teacher Preparation** | 1. Intro to Business, Dlabay Burrow Klendl, South-Western Cengage Learning
2. Introduction to Business, Brown Clow, Glencoe McGraw-Hill
3. Marketing, Burrow, South-Western Cengage Learning
4. Online Resources: globaledge.msu.edu, worldnetdaily.com/news/article
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| **Additional Required Components** |
| **English Language Proficiency Standards (ELPS) Strategies** |  |
| **College and Career Readiness Connection[[1]](#footnote-1)** | **English****110.42(b)(6)(A) – Vocabulary Development**…expand vocabulary through wide reading, listening, and discussing**110.42(b)(6)(B) – Vocabulary Development**… rely on context to determine meanings of words and phrases such as figurative language, idioms, multiple meaning words, and technical vocabulary**110.42(b)(7)(F) – Reading/comprehension**…identify main ideas and their supporting details**110.42(b)(7)(G) – Reading/comprehension**…summarize texts**110.42(b)(7)(J) – Reading/comprehension**…read silently with comprehension for a sustained period of time**Mathematical Models with Applications****111.36(c)(1)(A) – Knowledge and Skills**…compare and analyze various methods for solving a real-life problem.**111.36(c)(1)(B) – Knowledge and Skills**…use multiple approaches (algebraic, graphical, and geometric methods) to solve problems from a variety of disciplines**111.36(c)(1)(C)** – **Knowledge and Skills**…select a method to solve a problem, defend the method, and justify the reasonableness of the results**111.36(c)(6)(A)** – **Knowledge and Skills**…analyze methods of payment available in retail purchases and compare relative advantages and disadvantages of each option.**111.36(c)(7)(A)** – **Knowledge and Skills**…analyze types of savings options involving simple and compound interest and compare relative advantages of these options. |
| **Recommended Strategies** |
| **Reading Strategies** |  |
| **Quotes** |  |
| **Multimedia/Visual Strategy****Presentation Slides + One Additional Technology Connection** |  |
| **Graphic Organizers/Handout** |  |
| **Writing Strategies****Journal Entries + 1 Additional Writing Strategy** |  |
| **Communication****90 Second Speech Topics** |  |
| **Other Essential Lesson Components** |
| **Enrichment Activity**(e.g., homework assignment) | 1. Many restaurants have gone to $1 menus during tight economic times. Students work for a movie theater. How can the theater use a similar pricing strategy to help increase its business. Ask the student to write two paragraphs to explain your movie theater strategy.
2. Divide the class into groups of two students. Each team is opening a clothing boutique that sells designer clothing and accessories. The shop will be located in an upscale neighborhood. The team must write a price objective for the clothes they sell and give an example of what prices would be charged for several articles of clothing.
3. Ask students to research the price of a ticket for a college football game for different universities. Then ask students to explain why they think the price of the football ticket varies based upon the team, location, etc.
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| **Family/Community Connection** |  |
| **CTSO connection(s)** | Business Professionals of AmericaFuture Business Leaders of America |
| **Service Learning Projects** |  |
| **Lesson Notes** |  |

1. Visit the Texas College and Career Readiness Standards at <http://www.thecb.state.tx.us/collegereadiness/CRS.pdf>, Texas Higher Education Coordinating Board (THECB), 2009. [↑](#footnote-ref-1)