

## Smart Exam Resources

IGCSE Economics

### 1.3-Opportunity cost — Question Paper (Student Copy, Set 1)

**Q1.**

A power station was built to provide electricity to rural villages in Namibia. What was its opportunity cost?

- A the cost of producing the electricity
- B the school which could have been built instead
- C the time given up by the architect to design the power station
- D the wages of the workers who built the power station

**Q2.**

What economic concept must be at work when there is movement by a country along its production possibility curve?

- A economies of scale
- B equilibrium price
- C maximum profit
- D opportunity cost

**Q3.**

The Norwegian government chose to spend the profits from oil on stocks, bonds and property. The possibility of improving domestic infrastructure, therefore, was not taken. Which economic concept does this best illustrate?

- A cost of production
- B finite resources
- C opportunity cost
- D production possibility frontier

**Q4.**

A generating station was built to supply electricity to a rural village in Africa. What was the opportunity cost to the local economy?

- A the charge the villagers had to pay for the electricity
- B the cost of the building materials
- C the school that was not built as a result
- D the wages of the workers

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**Q5.**

The Chinese government is concerned about the level of poverty and the need for more resources in low-income regions of the country. As a result, it is increasing its expenditure in those regions and reducing it in high-income regions. Which economic concept does this government policy illustrate?

- A diseconomies of scale
- B market forces
- C opportunity cost
- D specialisation

**Q6.**

Which statement is correct?

- A Economic goods are not scarce.
- B Economic goods have no opportunity cost.
- C Free goods are scarce.
- D Free goods have no opportunity cost.

**Q7.**

What has an opportunity cost in consumption?

- A air
- B food
- C sea water
- D sunlight

**Q8.**

A firm decides to stop manufacturing ovens and to produce washing machines instead. What is the opportunity cost to the firm?

- A the additional washing machines produced
- B the cost of producing ovens
- C the cost of producing washing machines
- D the loss of the production of ovens

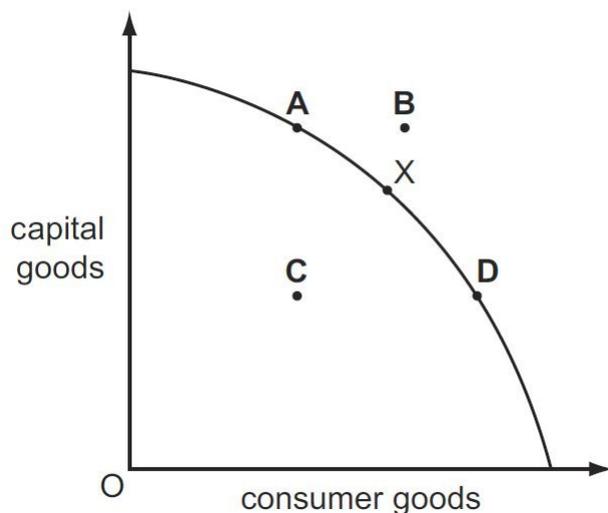
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**Q9.**

A country is producing at point X on its production possibility curve which shows how it can allocate its production between capital goods and consumer goods. A period of recession then causes some of its factories to close. Which point could represent the country's new position?



**Q10.**

Helium is a gas that is limited in supply. It takes thousands of years to form from decaying radioactive rocks. The US government holds 35% of the world's supply and has been selling its stocks. Helium is essential in medical scanners. It is also used for party balloons which some say is a wasteful alternative use of a valuable good. Which concepts can be applied to the above statement?

- A demand and supply, government subsidy
- B excess demand, resource allocation
- C factors of production, private monopoly
- D opportunity cost, public sector

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**Q11.**

Heavy rain caused floods in an area of a country. What may be an opportunity cost of repairing the damage caused?

- A the allocation of government funds to the area instead of on a new airport
- B the cost of providing shelter for those made homeless
- C the decline in the tourist industry in the area
- D the loss of profits from businesses affected by the flood