

## Smart Exam Resources

IGCSE Economics

### 1.3-Opportunity cost — Question Paper (Student Copy, Set 4)

**Q1.**

In a region of high unemployment, a manufacturer applied for a loan from the government so that the number of machines in an existing factory could be increased. It was hoped this would also enable more workers to be employed. Which factors of production does this decision involve?

- A labour and capital only
- B labour, capital and enterprise only
- C land, labour and capital only
- D land, labour, capital and enterprise

**Q2.**

In recent years more golf courses, which use large quantities of water, have opened in China. What may be the opportunity cost of this?

- A cost of water
- B loss of farmland
- C sales of golf equipment
- D wages of golf course staff

**Q3.**

A power plant is built to provide electricity to a rural area in Botswana. What is the opportunity cost to the local economy of building the plant?

- A the cost of the building materials
- B the price of electricity
- C the school which was not built as a result
- D the wages of the power plant workers

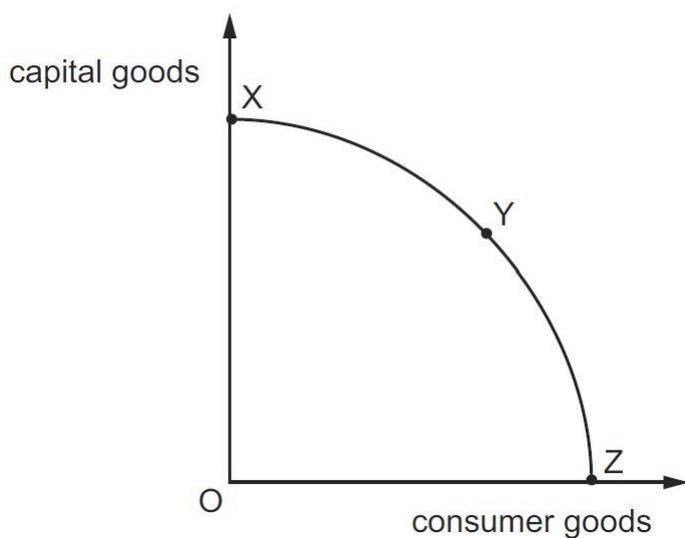
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**Q4.**

The diagram shows the production possibility curve (PPC) for an economy. What will happen to the opportunity cost of producing more units of consumer goods in terms of capital goods as the economy moves down its PPC from point X to point Z?



- A It will decrease continuously from point X to point Z.
- B It will decrease up to point Y and then increase towards point Z.
- C It will increase continuously from point X to point Z.
- D It will increase up to point Y and then decrease towards point Z.

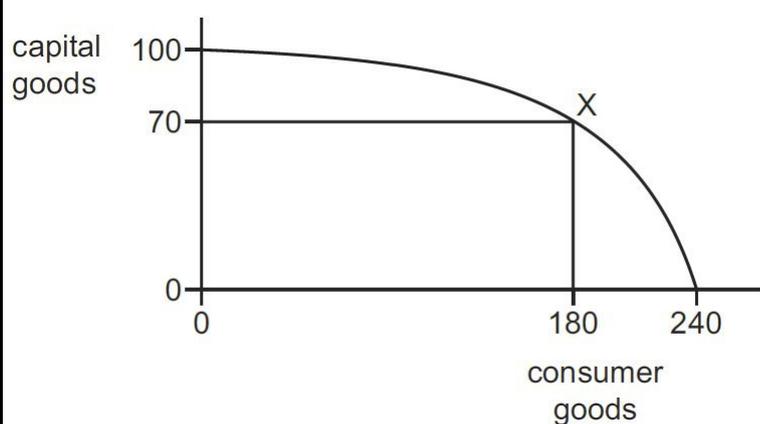
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**Q5.**

The diagram shows the production possibility curve (PPC) of an economy producing at point X. What would be the opportunity cost of moving from point X to produce only consumer goods?



- A 60 units of consumer goods
- B 70 units of capital goods
- C 100 units of capital goods
- D 180 units of consumer goods

**Q6.**

A hospital has spent all of its budget allocated for employing doctors. What is the opportunity cost to the hospital of employing an extra doctor?

- A a reduction in the number of nurses employed
- B an improvement in the recovery rate of patients
- C an increase in the number of patients treated
- D the salary paid to the extra doctor

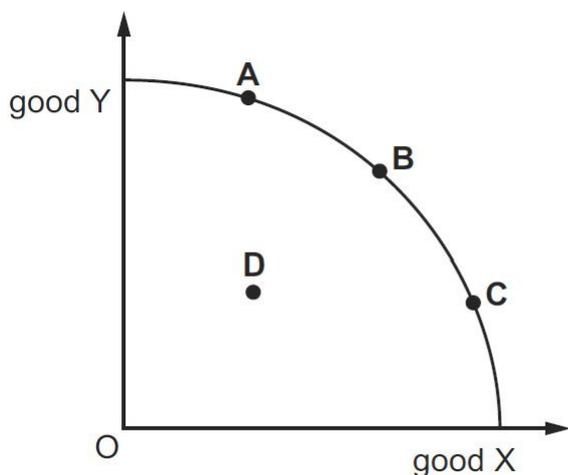
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**Q7.**

The diagram shows a production possibility curve (PPC) for an economy that produces two goods, X and Y. Which point shows the greatest opportunity cost of producing one more unit of good X?



- A A
- B B
- C C
- D D

**Q8.**

The government of a country with a rapidly increasing population decides to switch resources from investment to increased subsidies to farmers. What is the opportunity cost of this decision?

- A the profit earned by farmers
- B the rent of the land on which food is grown
- C the reduction in investment
- D the wages of the farm workers

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**Q9.**

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

**Q10.**

Sam wrote a list of how he would prefer to spend his Saturday afternoon. Unfortunately a thunderstorm caused the cricket match and the town parade to be cancelled. Sam went to the cinema. What was the opportunity cost of going to the cinema?

first choice	go to a cricket match
second choice	watch the annual town parade
third choice	go to the cinema
fourth choice	visit relatives

- A going to the cricket match
- B watching the town parade
- C visiting his relatives
- D losing his Saturday free time

**Q11.**

2 A person works at home making small cakes. She can make 30 cakes an hour and works for four hours a day. The total cost of the ingredients is \$50 and she sells the cakes for \$2 each.

What is the opportunity cost if she takes a working day for a holiday?

- A \$50
- B \$240
- C 30 cakes
- D 120 cakes