

# Smart Exam Resources

IGCSE Economics

## 1.3-Opportunity cost — Question Paper (Student Copy, Set 3)

**Q1.**

What is opportunity cost?

- A the allocation of resources in an economy
- B the cost to the individual when they consume a good
- C the lack of goods and services available to satisfy unlimited wants
- D the next best alternative forgone when making an economic decision

**Q2.**

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

**Q3.**

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

**Q4.**

A student leaves school and decides to spend the next two years at a college to improve her qualifications. What is the opportunity cost to the student of taking this decision?

- A the cost of the course fees at the college
- B the increase in job opportunities she will have as a result of her extra qualifications
- C the lost production due to her not being in work
- D the money she would have earned if she had been in work for the two years

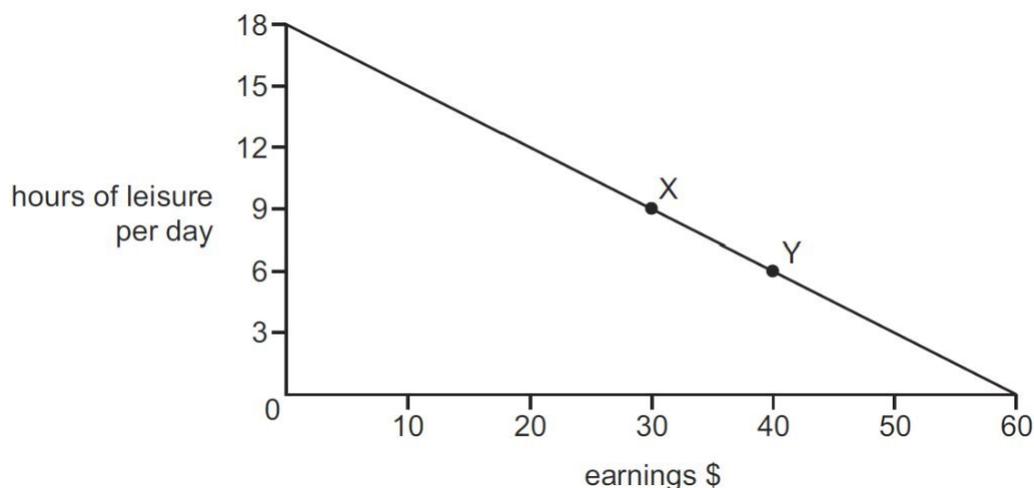
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**Q5.**

The diagram shows the choices for an individual between leisure and earnings. What is the opportunity cost to the individual of the extra earnings when moving from position X to position Y?



- A \$10
- B \$40
- C 3 hours of leisure per day
- D 9 hours of leisure per day

**Q6.**

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

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**Q7.**

A student decides to take up a two year apprenticeship for which she will earn \$10 000 per year. After that she expects to earn \$25 000 per year. She could take an unskilled job which pays \$16 000 per year instead of the apprenticeship. What is the opportunity cost in the two years of completing the apprenticeship?

- A A \$10 000
- B B \$12 000
- C C \$25 000
- D D \$32 000

**Q8.**

A government spends \$100m on subsidising wind farm construction instead of spending it on an increase in healthcare. Which economic concept does this spending decision illustrate?

- A external cost
- B free goods
- C market disequilibrium
- D opportunity cost

**Q9.**

A deposit of shale oil is discovered in an area of farming. The following estimates are made for a ten-year period.

- If the land is used only for farming, it would yield income after tax of \$10 billion.
- If the land is used only for shale oil extraction, it would yield income after tax of \$40 billion.
- The government would receive \$5 billion in taxes from farming and \$10 billion in taxes from shale oil extraction.

What is the opportunity cost of using the land only for farming?

- A \$25 billion
- B \$30 billion
- C \$35 billion
- D \$45 billion

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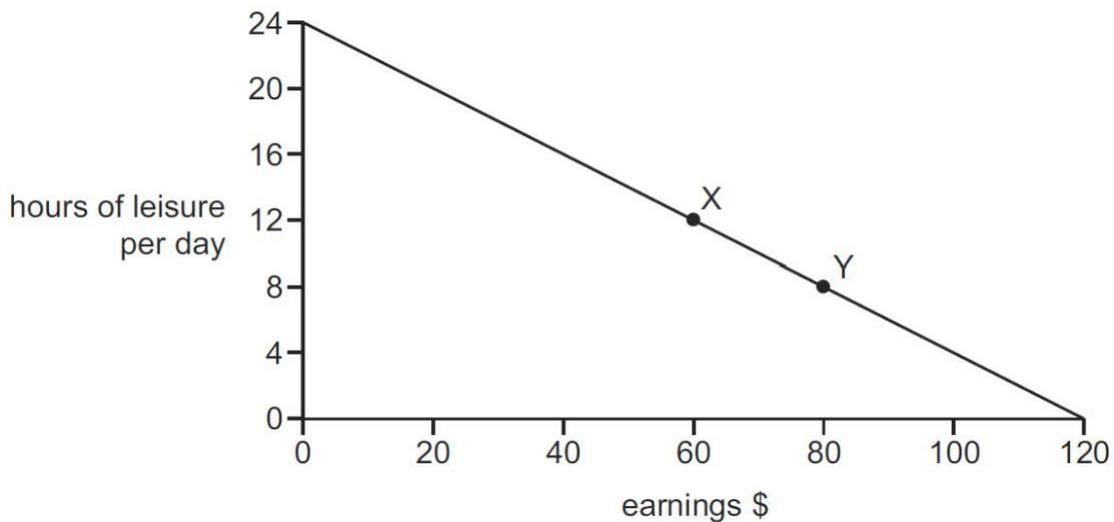
**Q10.**

A government is faced with the choice of spending on either education or healthcare. Of what is this an example?

- A conservation of resources
- B monetary policy
- C opportunity cost
- D substitution of factors

**Q11.**

The diagram shows the choices for an individual between leisure and earnings. What is the opportunity cost to the individual of the extra earnings when moving from position X to position Y?



- A \$20
- B \$80
- C 4 hours of leisure per day
- D 8 hours of leisure per day