

# Smart Exam Resources

IGCSE Economics

## 1.3-Opportunity cost — Question Paper (Student Copy, Set 2)

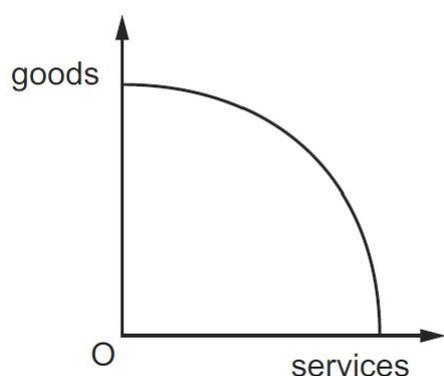
**Q1.**

A person can make 10 items to sell on a craft stall in a day. What is the opportunity cost if the person decides to paint a picture instead?

- A 10 craft items
- B the cost of the materials for the craft items
- C the cost of the paint for the picture
- D the value of the picture

**Q2.**

The diagram shows a production possibility curve (PPC). Why is the curve usually drawn like this?



- A International free trade exists.
- B Opportunity cost changes.
- C Resources are unlimited in supply.
- D Some resources will be unemployed.

**Q3.**

A student has nothing to do on a Friday evening. She withdraws \$5 from the \$100 she has in a savings account and buys a present to take to a party, to which admission is free. What does this involve?

- A an opportunity cost equal to \$95
- B an opportunity cost equal to other goods she could have bought for \$5
- C no opportunity cost, as entrance to the party is free
- D no opportunity cost, as she had no better way of using the time

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**Q4.**

A firm is deciding whether to produce good X or good Y for the next five years. The predicted revenue for good X is \$20 000 per year and for good Y is \$18 000 per year. What is the opportunity cost of producing good X?

- A \$18 000
- B \$20 000
- C \$90 000
- D \$100 000

**Q5.**

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

**Q6.**

What could be the opportunity cost of a nuclear power station?

- A the running costs of the power station
- B a coal-fired power station
- C the current value of the power station
- D the cost of building the power station

**Q7.**

A government allowed a building company to construct new houses which destroyed an area designated as an area of natural beauty. Which concepts can be applied to this statement?

- A budget surplus; public sector
- B external cost; opportunity cost
- C government subsidy; mixed economy
- D private enterprise; budget deficit

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**Q8.**

A government decides to spend more on defence and cannot spend money on a new airport. Which concepts can be applied to the above statement?

- A budget surplus; external cost
- B factor of production; private monopoly
- C public sector; opportunity cost
- D trade surplus; budget deficit

**Q9.**

What do economies aim to achieve in tackling the economic problem of scarcity?

- A equal balance between public and private sectors
- B equal reward for equal effort
- C increased competition in the use of resources
- D optimum allocation of finite resources

**Q10.**

What is an opportunity cost for a consumer spending money on a holiday?

- A the potential interest earned if the holiday money had been saved
- B the price paid for an air ticket to the holiday destination
- C the rubbish created during the holiday which affects the local community
- D the satisfaction that the consumer gains from the holiday

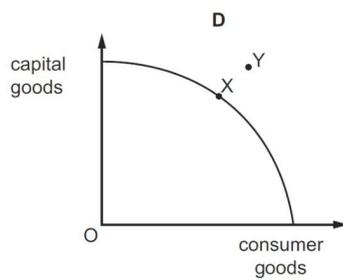
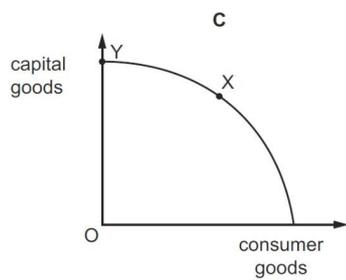
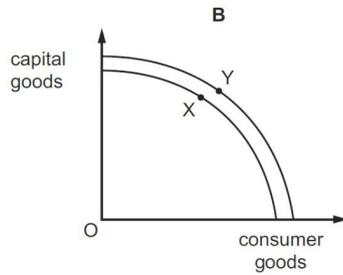
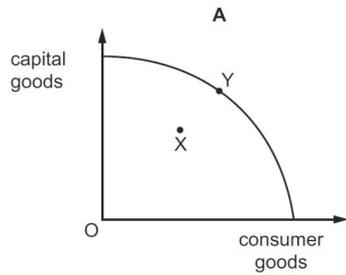
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Q11.

Which diagram shows an opportunity cost by movement from point X to point Y?



A A

B B

C C

D D