1.4 Production possibility curve (PPC) diagrams — Question Paper (Student Copy, Set 2)

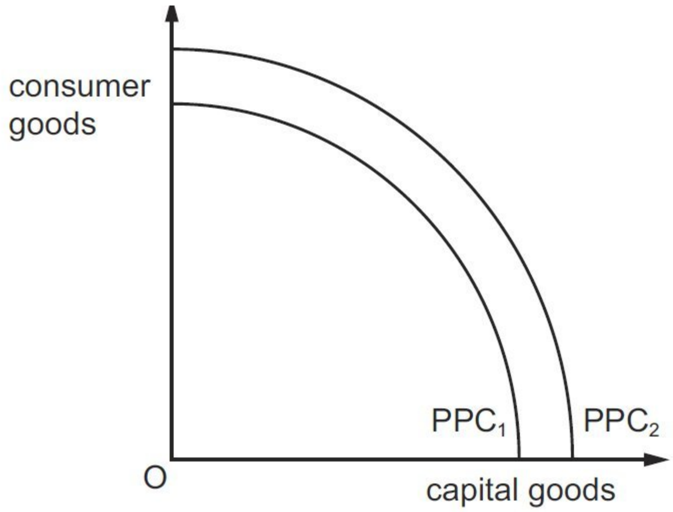
Q1.

What does a point on a production possibility curve for an economy represent?

A economic growth is falling
B inefficient use of resources available
C maximum output possible with current technology
D total demand for goods and services

Q2.

A country's production possibility curve (PPC) moves from PPC1 to PPC2. What could cause this movement in the PPC?



	better education	higher investment	lower unemployment
A	false	false	true
B	false	true	false
C	true	false	true
D	true	true	false

A A
B B
C C
D D

Q3.

How does a production possibility curve show that scarcity exists?

A It shows that a rise in demand for one of the products increases its price.

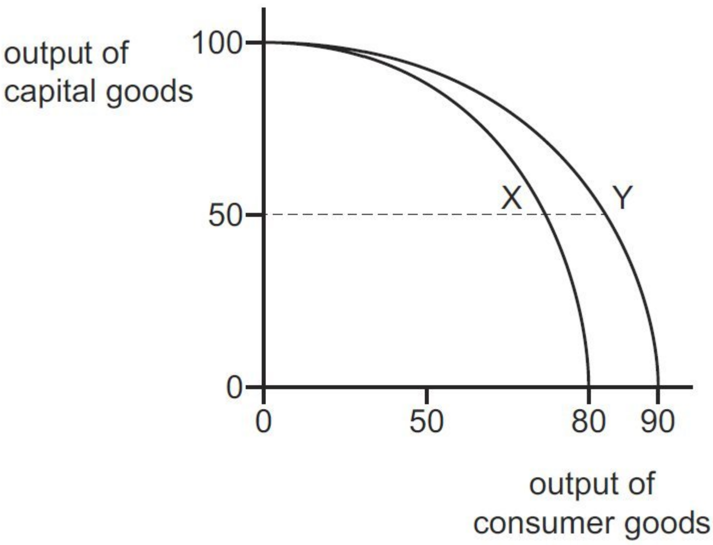
B It shows that as more resources are used to produce a product, its price rises.

C It shows that at any point outside the production possibility curve an economy is wasting resources.

D It shows that there is a limit to the quantity of products that can be produced with existing resources and technology.

Q4.

The diagram shows two production possibility curves. Which statement about the movement from point X to point Y is correct?



A Demand for consumer goods has risen.

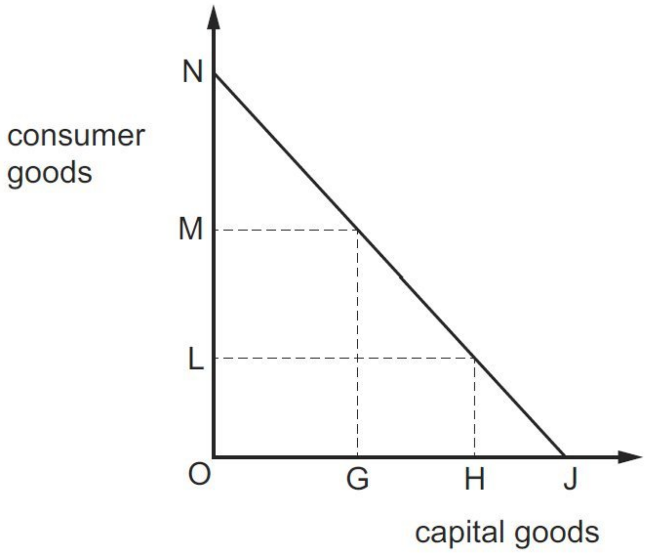
B The opportunity cost for producing consumer goods has risen.

C There has been an increase in productivity in consumer goods production.

D There has been an inward shift in the production possibility curve.

Q5.

The diagram shows the production possibility curve (PPC) for an economy producing consumer goods and capital goods. The economy is currently producing OM consumer goods and OG capital goods. It decides to increase production of capital goods to OH. What is the opportunity cost of this decision in terms of consumer goods?



A JG
B ML
C MN
D NL

Q6.

The economy of country X is always on its production possibility curve (PPC). When will the goods and services produced by country X become more scarce?

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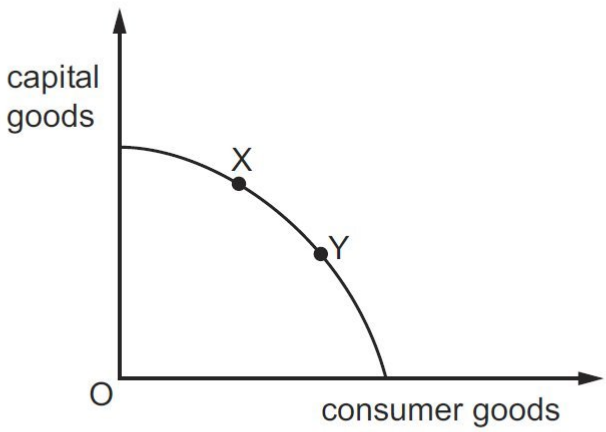
When will the goods and services produced by country X become more scarce?

	PPC	population size
A	shifts left	increases
B	shifts right	unchanged
C	unchanged	decreases
D	unchanged	unchanged

A shifts left increases
B shifts right unchanged
C unchanged decreases
D unchanged unchanged

Q7.

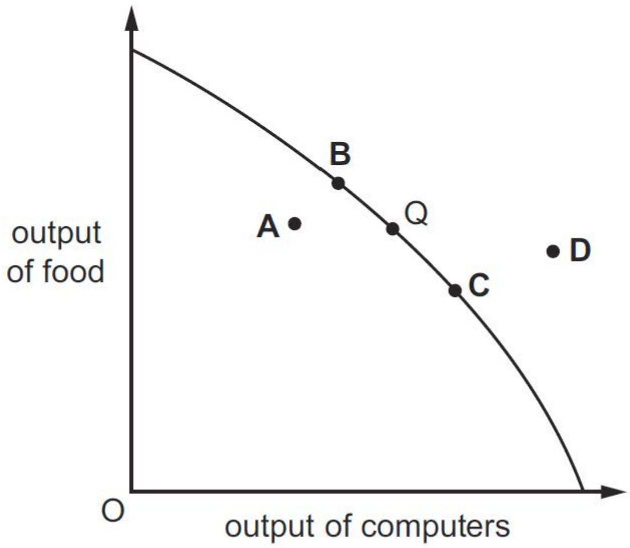
The diagram shows a production possibility curve (PPC) for a country. The country moved from position X to position Y on the PPC. What is the most likely reason for this change?



A Firms have decided to increase investment in technology.
B New economic resources have been discovered in the country.
C The government has brought about an increase in living standards.
D The government has encouraged long-term economic growth.

Q8.

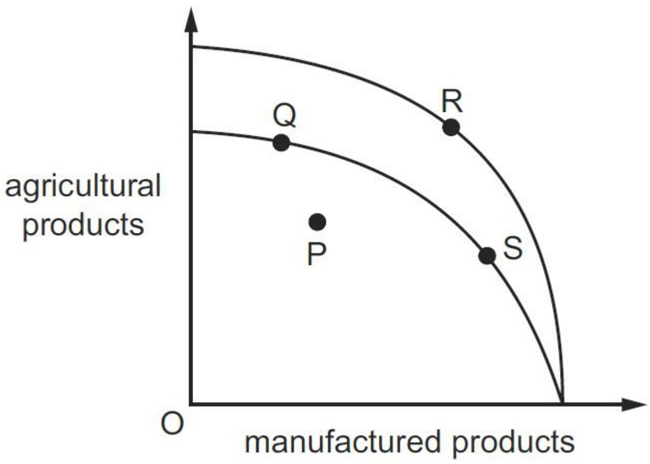
With a given level of resources, an economy that can produce food or computers is at point Q on its production possibility curve. Population growth means more resources need to be allocated to food production. At which point in the short term will the economy be in the diagram?



A a national economic development plan
B an unequal distribution of income and wealth
C the operation of the price mechanism
D the private ownership of factors of production

Q9.

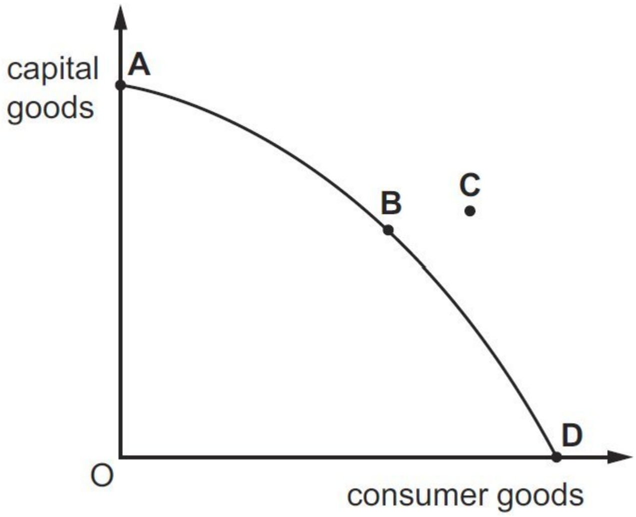
The diagram shows production possibility curves (PPC) for a country that can produce agricultural products or manufactured products. Its current PPC passes through points Q and S but the country is currently experiencing unemployment.



A a high price charged because of costly research to produce the good
B a high price charged for a well-known painting
C a low price charged because of economies of scale
D a low price charged for subsidised bus travel

Q10.

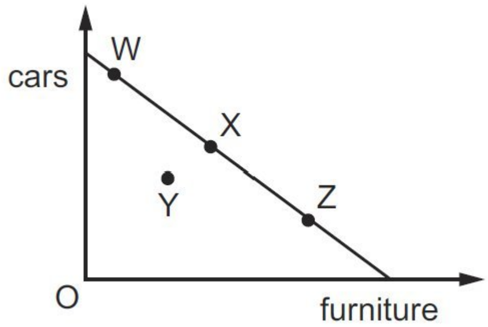
The diagram shows a production possibility curve for an economy. Which point on the diagram is the most efficient for the economy to produce both consumer goods and capital goods?



A The distance from W to X shows a shortage of the product.
B The distance from Z to Y shows a surplus of the product.
C The movement from W to Y shows a fall in the quantity demanded of the product.
D The movement from X to Z shows a fall in the quantity supplied of the product.

Q11.

The diagram shows a production possibility curve for cars and furniture. A recession causes a decrease in production in both cars and furniture. Which movement would represent this change?



A X to W
B X to Y
C Z to W
D Z to Y