

Year 12 Economics Worksheet 1

Production Possibility Curve

1. Define the following concepts:

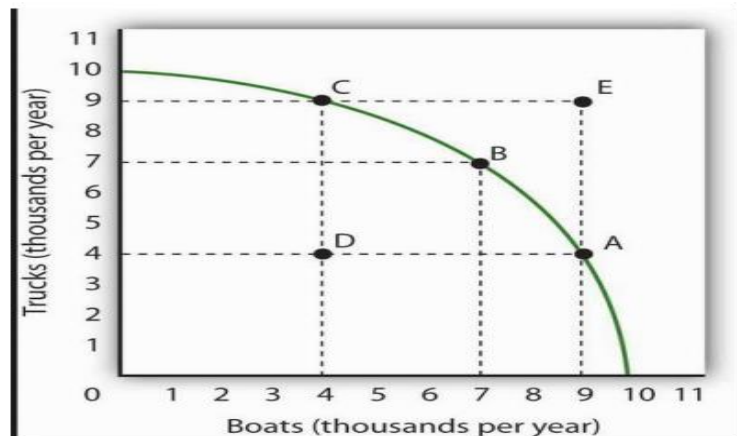
Scarcity _____

Choice _____

Opportunity Cost

(3 marks)

2. Study the production possibility curve given below to answer the following questions.



(Source: <http://2012books.lardbucket.org/books/microeconomics-principles-v2.0/s20-internationaltrade.html>)

(i) What is the opportunity cost of increasing the production of boats from 4,000 to 9,000 (from point C to point A)? **(1 mark)**

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(ii) If the production of boats increases, the production of trucks must decrease. Why? **(2 marks)**

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(iii) Calculate the marginal rate of transformation of increasing production of trucks by moving from point B to point C. **(1 mark)**

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