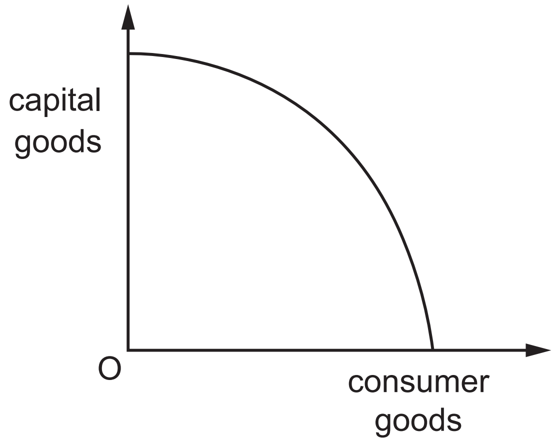
3 The diagram shows a production possibility curve for an economy that produces capital goods and consumer goods.



Why is the production possibility curve drawn concave to the origin?

A Capital goods are a more labour-intensive output than consumer goods.

B Consumers always seek to maximise their satisfaction from consumption.

C Profit maximisation for firms always ensures efficiency in production.

D Some resources are more efficient in production of some goods than others.

10 What is an example of direct provision by a government?

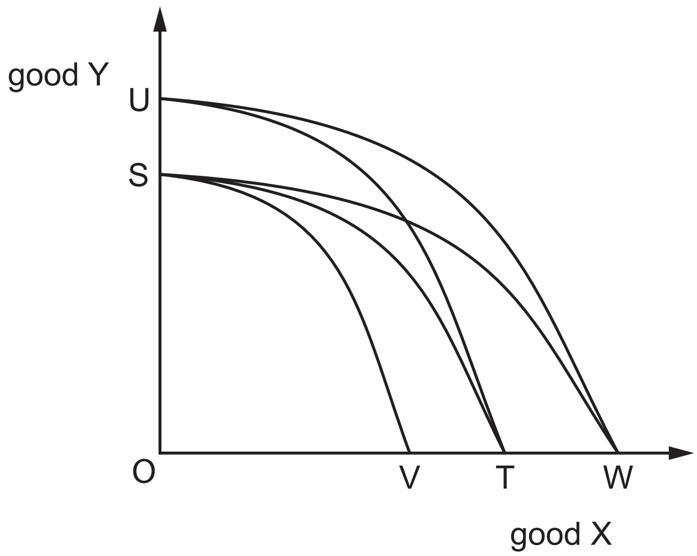
A The government introduces a subsidy on renewable fuels to help the environment.

B The government introduces a unit tax on cigarettes to discourage consumption.

C The government sets a maximum rent on housing to protect tenants.

D The government takes over a private library to improve local services.

5 The diagram shows a production possibility curve (PPC) for a country that produces two goods, X and Y. The initial PPC is given by ST.



What is the effect on the PPC when the productivity of workers producing good X increases?

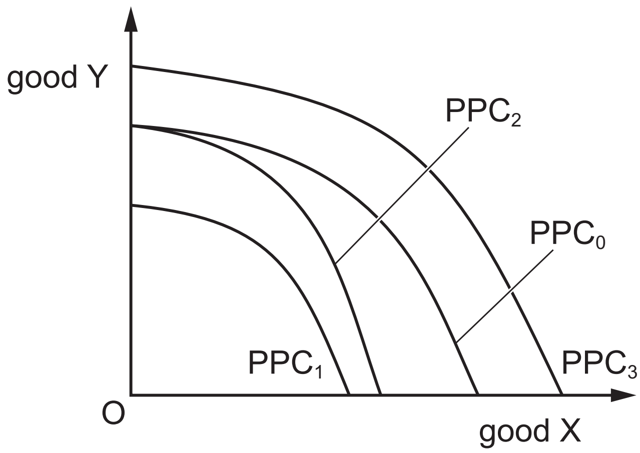
A The PPC shifts from ST to SV.

B The PPC shifts from ST to SW.

C The PPC shifts from ST to UT.

D The PPC shifts from ST to UW.

5 The diagram shows a production possibility curve (PPC) for an economy that produces two goods, X and Y. Both goods require labour to produce. The initial position of the PPC is at PPC_0.



What is the effect on the PPC following the emigration of a large number of workers?

A the PPC remains at PPC_0

B the PPC shifts from PPC_0 to PPC_1

C the PPC shifts from PPC_0 to PPC_2

D the PPC shifts from PPC_0 to PPC_3

3 **(a)** With the help of a diagram, explain the difference between a movement along a production possibility curve (PPC) and a shift of this curve **and** consider whether a decision to produce more of one product will always incur an equal opportunity cost. [8]

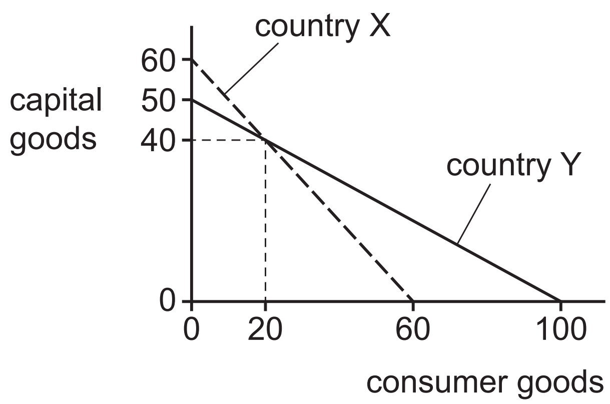
(b) Assess the extent to which it is always necessary to increase the size of the labour factor of production in order to cause an outward shift of the production possibility curve. [12]

Section C

Answer **one** question.

EITHER

2 The diagram shows the production possibility curves of two countries, X and Y.



What can be concluded from the diagram?

A Both countries have decreasing opportunity cost in the production of consumer goods.

B Both countries should produce 40 units of capital goods and 20 units of consumer goods.

C Country Y has constant opportunity cost in the production of consumer goods.

D Country Y is producing more consumer goods than country X.

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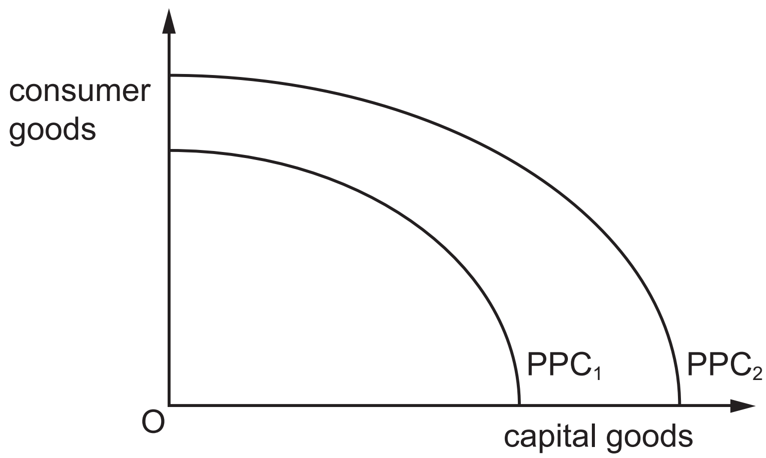
5 The diagram shows an outward shift of the production possibility curve from PPC_1 to PPC_2.



What could have caused this shift?

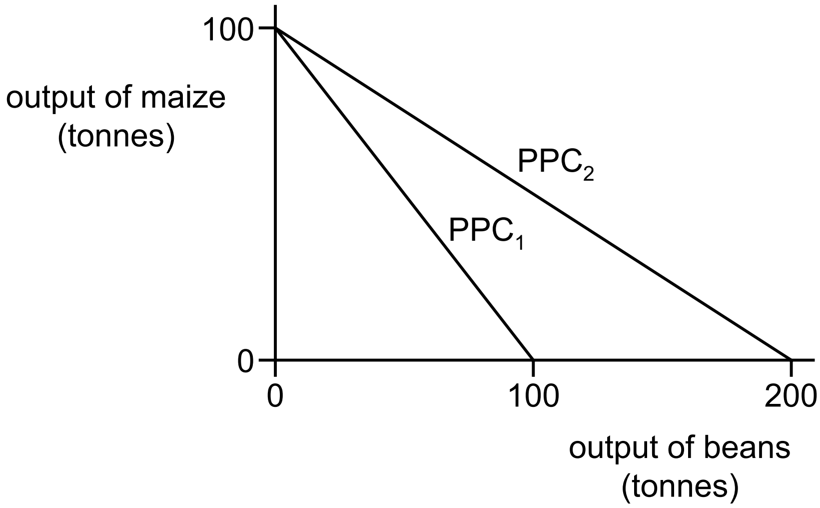
A a decrease in mineral resources

B a decrease in prices of consumer goods

C an increase in employment

D an increase in technology

3 The diagram shows that the production possibility curve (PPC) of maize and beans has changed from PPC_1 to PPC_2.



What has happened to the opportunity cost of maize and the returns to factors producing beans?

	opportunity cost of maize	returns to factors producing beans
A	fallen	fallen
B	fallen	risen
C	risen	fallen
D	risen	risen