

1.1 Choice, models and market adjustment

Name: _____ Class: _____ Date: _____

Total: 6 marks

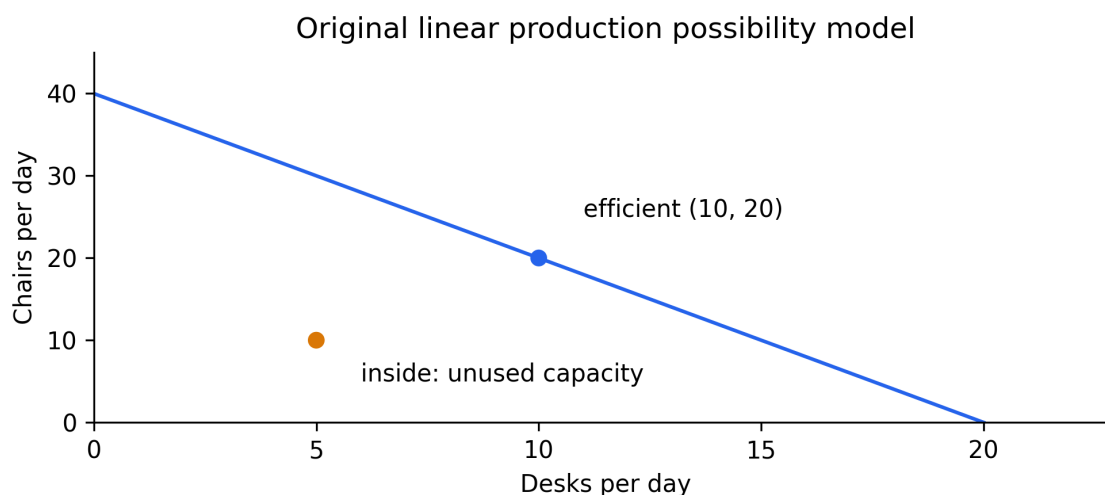
KEY WORDS scarcity • opportunity cost • equilibrium
• excess demand

Objective

Apply the supported native methods to original data and justify a qualified transfer conclusion.

1 Key knowledge and worked examples

A production possibility frontier shows maximum feasible combinations using stated resources and technology. On the straight line shown, one extra desk costs two chairs. An inside point can be feasible but does not use full capacity; a point beyond the frontier needs more resources or technology. Movement along the frontier is reallocation, not growth.



An original workshop can make 20 desks or 40 chairs per day. With a straight frontier, calculate the opportunity cost of five more desks and distinguish a move along it from a shift.

The slope gives $40/20 = 2$ chairs per desk. Five desks therefore cost $5 \times 2 = 10$ chairs per day. Reallocating existing resources moves along the frontier. More usable resources or better technology can shift it outward; demand alone does not increase

physical capacity.

2 Practice

2.1 For the worked case, state the method, show its application and give a limitation. [3]

3 Exam-style questions

3.1 A workshop has idle machines. A new order raises output. Has its production frontier necessarily shifted? [3]

Solutions

2.1 The slope gives $40/20 = 2$ chairs per desk. Five desks therefore cost $5 \times 2 = 10$ chairs per day. Reallocating existing resources moves along the frontier. More usable resources or better technology can shift it outward; demand alone does not increase physical capacity. Authored points for method, application and relevant qualification.

3.1 No. With usable idle capacity, production may move from inside towards the existing frontier. A capacity increase requires evidence about available resources or technology, while a new order changes demand. Compare feasible combinations before and after rather than equating actual output with potential output. Authored points for judgement, case-linked reasoning and justified qualification. Accept supported alternatives.