

OPPORTUNITY COST

Heavy rain caused floods in an area of a country.

What may be an opportunity cost of repairing the damage caused?

- A the allocation of government funds to the area instead of on a new airport
- B the cost of providing shelter for those made homeless
- C the decline in the tourist industry in the area
- D the loss of profits from businesses affected by the flood

A

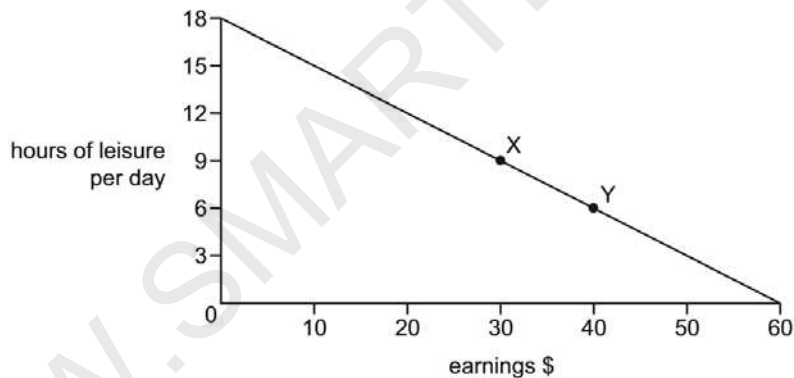
Helium is a gas that is limited in supply. It takes thousands of years to form from decaying radioactive rocks. The US government holds 35% of the world's supply and has been selling its stocks. Helium is essential in medical scanners. It is also used for party balloons which some say is a wasteful alternative use of a valuable good.

Which concepts can be applied to the above statement?

- A demand and supply, government subsidy
- B excess demand, resource allocation
- C factors of production, private monopoly
- D opportunity cost, public sector

D

The diagram shows the choices for an individual between leisure and earnings.

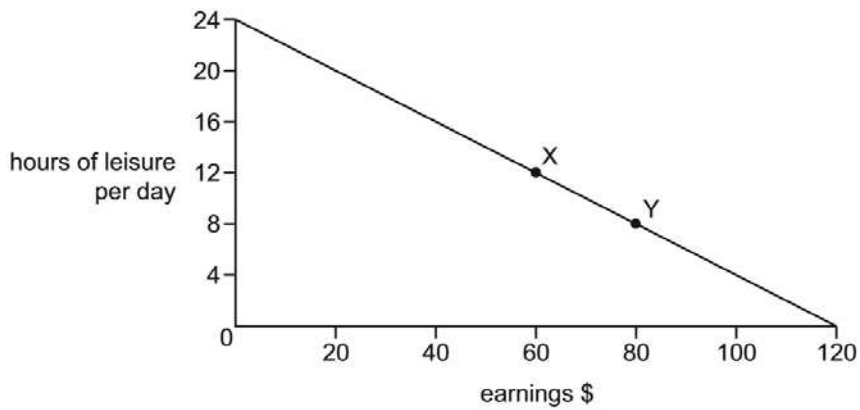


What is the opportunity cost to the individual of the extra earnings when moving from position X to position Y?

- A \$10
- B \$40
- C 3 hours of leisure per day
- D 9 hours of leisure per day

C

The diagram shows the choices for an individual between leisure and earnings.



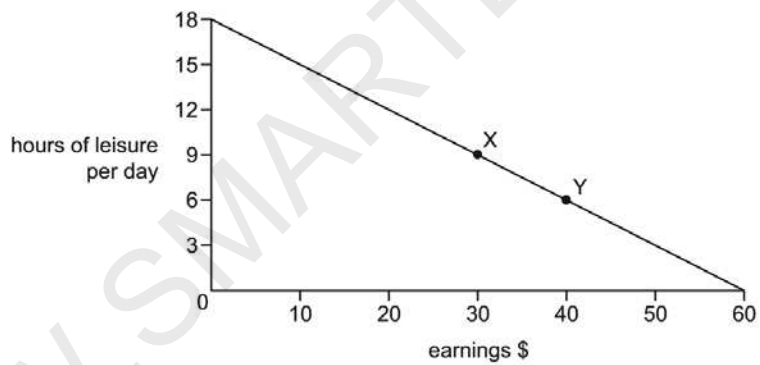
The person decides to take a job that gives more leisure time.

What is the opportunity cost to the individual of moving from position Y to position X?

- A \$20
- B \$80
- C 4 hours of leisure per day
- D 12 hours of leisure per day

A

The diagram shows the choices for an individual between leisure and earnings.



What is the opportunity cost to the individual of the extra earnings when moving from position X to position Y?

- A \$10
- B \$40
- C 3 hours of leisure per day
- D 6 hours of leisure per day

C