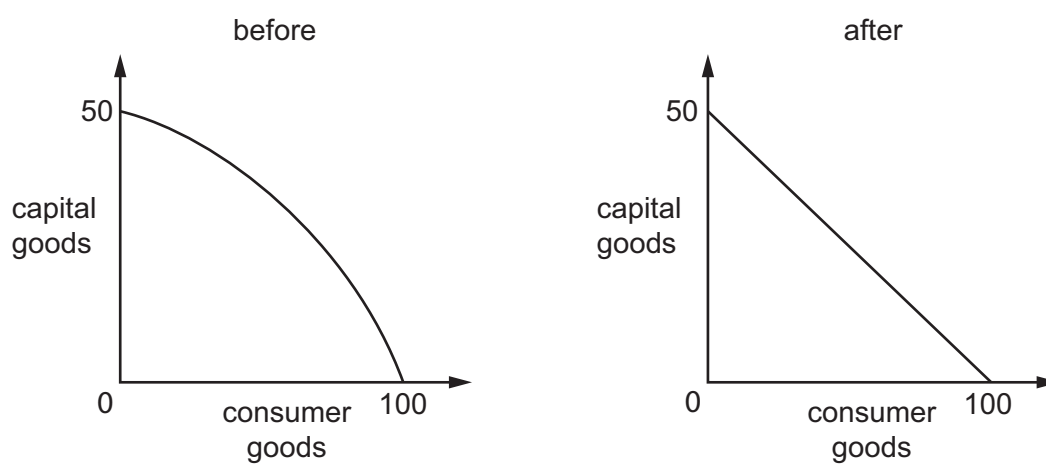


- 1 Under normal circumstances, taking a breath of fresh air involves no opportunity cost.

This shows that fresh air is

- A** a free good.
B a merit good.
C a public good.
D an economic good.
- 2 The diagrams show an economy's production possibility curve before and after a change has occurred.



What would this change indicate about opportunity cost and the production possibility curve?

	opportunity cost	production possibility curve
A	switched from constant to increasing	involved some increase
B	switched from decreasing to constant	involved some decrease
C	switched from decreasing to increasing	involved some increase
D	switched from increasing to constant	involved some decrease

- 3 Which statement about factors of production is correct?

- A** All economic output requires the use of four factors of production.
B Capital may take the form of shares in a manufacturing company.
C Enterprise can only be found in owner-run organisations.
D Land includes both renewable and non-renewable resources.