

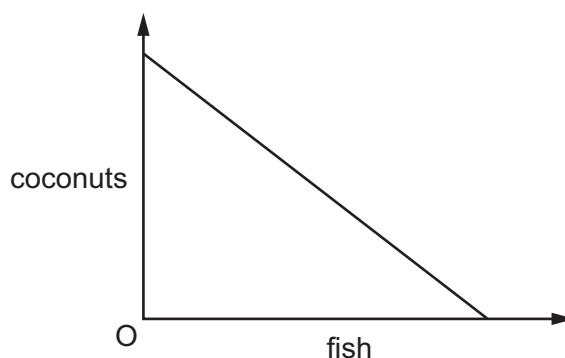
- 1 An individual has an appointment with his bank manager.

He has a choice between travelling to the appointment by car, or leaving the car at home and travelling by bus and then by train. The costs of the journey are given below.

	\$
bus fare	2
train fare	3
car parking charge	4
petrol	2
car wear and tear costs	1

Given this information, what is the opportunity cost to the individual of travelling by car rather than by bus and train?

- A** \$2 **B** \$4 **C** \$7 **D** \$12
- 2 What confirms that scarcity exists?
- A** A product has an opportunity cost.
B The demand for a product has risen.
C The government has set a minimum price for a product.
D The supply of a product has fallen.
- 3 The diagram shows the production possibility frontier of a desert island economy where the inhabitants live off just two commodities, coconuts and fish.



What explains the shape of the production possibility frontier?

- A** Coconuts and fish are perfect complements.
B Coconuts and fish are perfect substitutes.
C The inhabitants consume more fish than coconuts.
D The opportunity cost of fish is constant as more time is devoted to fishing.