

Question 1

3 workers Larry, Moe, Curly each work 10 hours a day, and can produce two services: mowing lawns and washing cars. In an hour,
Larry can either mow one lawn or wash one car;
Moe can either mow one lawn or wash two cars;
Curly can either mow two lawn or wash one car.

- (a) Who has the comparative advantage in mowing lawns?
- (b) Who has the comparative advantage in washing cars?
- (c) Who has the absolute advantage in washing cars?

Question 2

	Radios	TV
Jack	4	6
Mary	3	9

- (a) Who has the comparative advantage in producing Radios?
- (b) Who has the comparative advantage in producing TVs?

Multiple Choice Questions:

1. The shape of a typical PPF is due to which of the following
 - a. Increasing Marginal Rate of Substitution
 - b. Increasing Marginal Opportunity cost
 - c. Constant Marginal Rate of Substitution
 - d. Decreasing Marginal Opportunity cost
2. A PPF can shift its position if and only if
 - a. If technology improves
 - b. If resources remain constant
 - c. If technology remains constant
 - d. None of these
3. The Marginal Opportunity Cost of producing Good X is

- a. The marginal cost of Good X produced
- b. The money spent on producing Good X
- c. The cost of production
- d. The quantity of good Y sacrificed

4. Massive unemployment shifts the PPF to the

- a. Right
- b. No effect
- c. Left
- d. None of the above

5. A student works for a book shop for several days during the holidays. She is offered the alternative of being paid \$50 cash or choosing \$80 worth of books from the shelves. What is the opportunity cost to the student of choosing the books?

- a. \$30
- b. \$50
- c. \$80
- d. \$0

McQ answers

1 (b), 2 (a), 3 (d), 4 (c), 5 (b)