**Assignment: 4 (4 marks)**

Product A

Product B

The (((diagram W))) illustrates the concept of the PPC

**Production Possibility Curve:**

It is the graphical representation of the production of alternative combination of two goods or services at the same time under the given resources. In the Production Possibility Curve, boundary between two goods (capital and consumer goods) give us the information that we have certain limit to produce for certain quantity, reason is, we have limited resources and our wants are more than the ability to accomplish it. This is the main economic issue which we suffer in the economy. There is only a solution to come out and tackle this problem, which is “to take the alternative decision” this compiles the concept of “Choice”. In economics, our every activity is not free; we have to pay for it which is called economic cost. Opportunity cost is an economic cost for a marginal benefit which we get from an additional forgo.

**Scarcity: (4)**

Above-mentioned graph take a picture of scarcity, the question arises in the graph that why curvy line occurred? The answer of this question is scarcity. We lack the quantity of resources which can meet the quantity we demand for goods and services.

**Choice:**

We cannot satisfy our wants because we have less capital, land, labour and profitability comparatively to the wants for goods and services. To justify this fact, we rely on Choice. Choice is the decision in which we decide the best thing that suits us most amongst different things. In the graph, Choice takes place within the curve line.

**Opportunity Cost**:

Opportunity cost is the worth of an activity which you do on alternative basis, in which you have to have one thing by leaving the other one. It is said that there is nothing like “Free lunch” in the economy, everything which you do has price. And that price which you pay to get the other one is known as opportunity cost.

In this diagram, the quantity obtained of product B at point C having the opportunity cost which is the amount we forgo from the Product A.