**Assignment:7 (0 marks as no reference to diagram)**

**Production possibility curve:**

**Definition:**

Production Possibility Curve is the Curve which tells about the combination of goods and services which can be produced in the economy under the given resources. The graph shows the restrictions while producing the goods and services and tells us that what we can achieve by having limited resources. Because we are always have scarcity that is why we have to leave one thing to get the other thing that is why the graph is curved.

**Scarcity: (1)**

The simple definition of scarcity is, wants always exceed the resources. There is inverse relation always between wants and resources in the economy. Because of the inverse relation we always suffer the limited resources.

**Example**

If a person earns 10,000 rupees in 24 hours. If that person wants to earn more, he can not earn more until he sacrifices his time. Which means he has to take the decision that how much he has to spend on his first job and how much time he has to give to his second job because he has limited resource which is time but unlimited wants which is money.

**Choice:**

Choice is the name of alternative decision which producer or an individual take while choosing the best action while calculating and understanding the concept of limited resources in the procedure of production.

**Example**

I would like to keep the above example. A person wants to increase his income but have limited resources, as I said Time is limited which is his source of income, in this situation he has to take the decision which will be his choice, whether he has to quit this job and get another job where he will be offered more than 10,000 rupees in 24 hours or he has to give some time to his first job and some time to his 2nd job if the sum of two job’s amount is greater than the 10,000 rupees.

**Opportunity cost: (3)**

The opportunity Cost is, what you get to what you leave. The meaning is, while producing goods or services what you have to lose if you want to get something. This is the cost of your getting.

**Examples:**

I would prefer to keep the above example here also, a person increases his income, keep in mind that he earns 10,000 rupees in 24 hours, Now he has got the 2nd job where he is offered to get 10,000 in 8 hours. He reduced his time in 1st job now he gives 16 hours in his first job and get 6666.66 rupees from his first job and 10,000 in 8 hours from his 2nd job which sum 16,666.66 rupees in over all 24 hours. Now we can come to the point that the opportunity cost of getting 6666.66 rupees is 3333.33 rupees. In other words, he is paying (cost) 3333.33 rupees for 6666.66 rupees.