**Assignment: 10 (0 marks as no reference to diagram)**

**Production possibility curve:**

**Definition:**

The Production Possibility Curve is the representation of the combination of two products produced at the same time with same resources. The curve lines is indication which tells what you can produce and what you cannot produce because resources are limited. The Production possibility Curves describes that in the economics, first scarcity appears that leads to the choice and choice influence the opportunity cost. These three concepts are in the sequence.

**Scarcity:**

Scarcity can be defined as; if unlimited wants eats the limited resources and never get satisfaction, such situation is called scarcity. When supply fails to compensate all goods demanded is called scarcity.

**Example:**

If the economy produces 150 units of rice and 100 units of iron. If society demands houses the economy will have to tend to produce more iron in this situation economy will reduce the quantity of rice to produce more iron. Because resources are limited.

**Choice:**

In the above example, economy is in the state of Choice.

**Example**

Government has to fulfil the demands of people to build more houses thats why government chose to cut-off the production of rice and decided to use its resources in the iron production. This is the choice.

**Opportunity cost:**

It is the price of something you acquire. This can be measured on production possibility curve.

**Examples:**

In the above example, the opportunity cost of producing more iron is the quantity we have to reduce.

More production of iron = more reduction of rice.