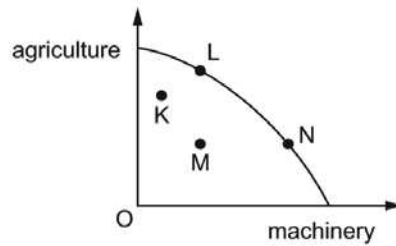


# PRODUCTION POSSIBILITY CURVE

The diagram shows a production possibility curve for agriculture and machinery.



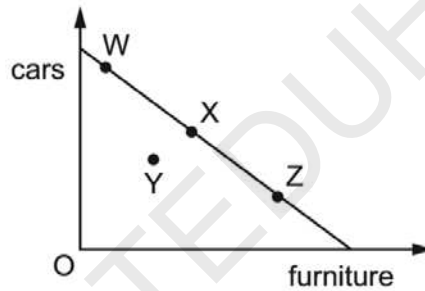
As a country develops, its primary production decreases and its secondary production increases.

Which movement would represent this change?

- A** K to L      **B** L to N      **C** M to N      **D** N to L

B

The diagram shows a production possibility curve for cars and furniture.



A recession causes a decrease in production in both cars and furniture.

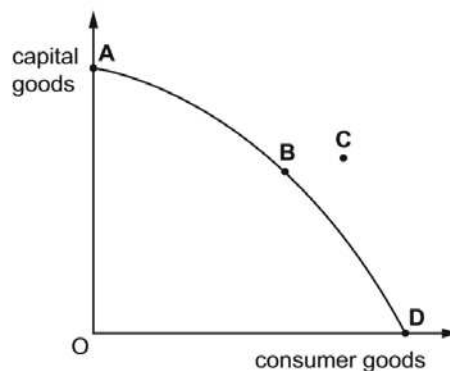
Which movement would represent this change?

- A** X to W      **B** X to Y      **C** Z to W      **D** Z to Y

B

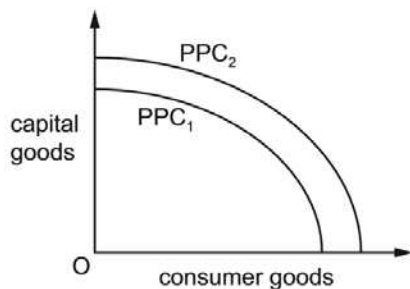
The diagram shows a production possibility curve for an economy.

Which point on the diagram is the most efficient for the economy to produce both consumer goods and capital goods?



B

The diagram shows an initial production possibility curve of  $PPC_1$ .



What may cause the movement of the production possibility curve from  $PPC_1$  to  $PPC_2$ ?

- A a better educated workforce
- B a decrease in availability of raw materials
- C increased wages
- D lower productivity

A

What economic concept must be at work when there is movement by a country along its production possibility curve?

- A economies of scale
- B equilibrium price
- C maximum profit
- D opportunity cost

D

Which statement about a production possibility curve is correct?

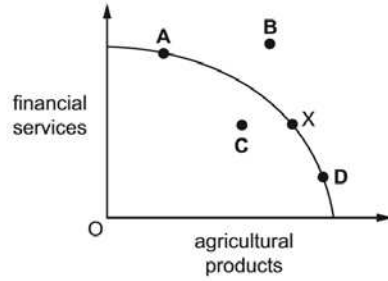
- A A production possibility curve is an alternative name for an industry supply curve.
- B A production possibility curve is an economic model of potential output.
- C A realistic production possibility curve must be drawn as a straight line.
- D A production possibility curve applies only to an economy's production of goods.

B

The diagram shows a production possibility curve for an economy that can provide financial services or agricultural products. The economy is at point X.

Bad weather destroys part of the agricultural produce.

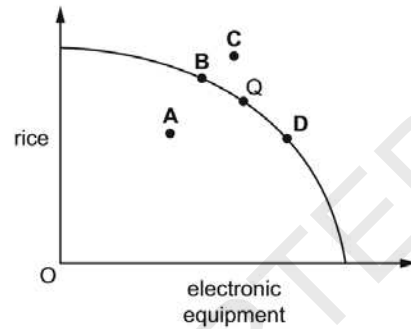
At which point will the economy be in the diagram?



C

The diagram shows a production possibility curve for an economy that can produce rice or electronic equipment. The economy is at point Q. A recession causes unemployment in the electronics industries.

At which point will the economy be in the diagram?



A