A-LEVEL ECONOMICS • EXERCISE SHEET

1.1 Scarcity, choice and opportunity cost

Name: ______________ Class: __________ Date: ____________ **Total: 19 marks**

Objective

Build the skills to answer exam questions on **scarcity, choice and opportunity cost** 稀缺性、选择与机会成本—the **economic problem** 经济问题 and the trade-offs every consumer, firm and government faces.

You must be able to:

- explain **scarcity** 稀缺 and the **economic problem** 经济问题
- define and apply **opportunity cost** 机会成本
- explain the three questions (what, how, for whom) every economy must answer

1 Worked examples

■ Scarcity forces choice

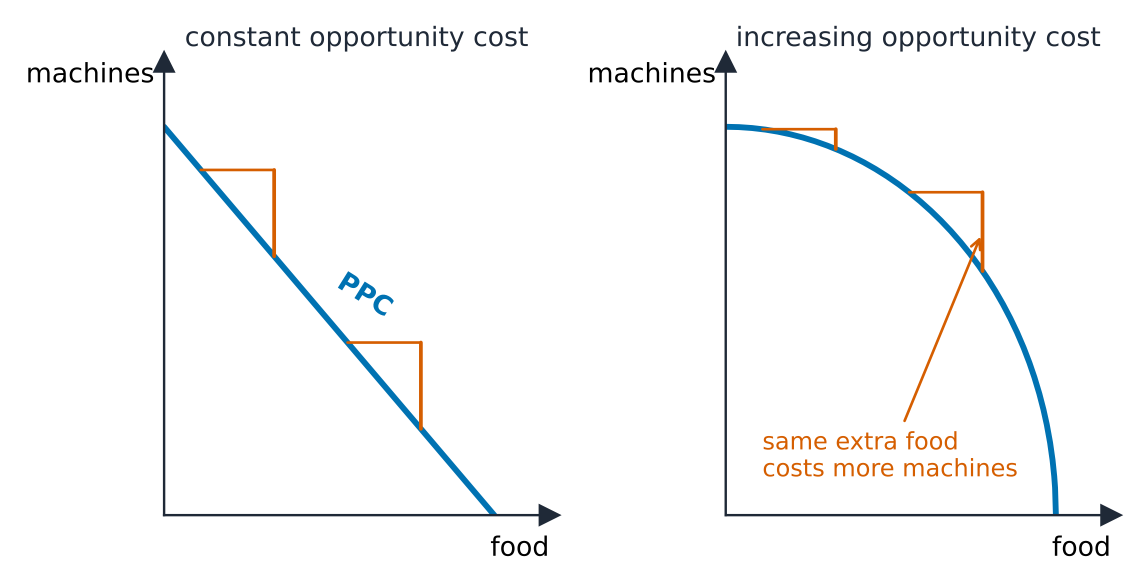
Resources are finite 有限的; wants are unlimited 无限的—so we must choose

Image: source

- **Scarcity:** wants are unlimited 无限 but resources are **finite** 有限, so choices must be made.
- **Opportunity cost:** the **next best alternative** 次优选择 given up when a choice

is made.

- A government that spends on hospitals gives up the schools that money could have built (opportunity cost).



A production possibility curve makes opportunity cost visible: more of one good means less of the other

Answer shapes (marked by **level of response** on the assessment objectives —AO1 knowledge, AO2 application, AO3 analysis, AO4 evaluation):

- **Explain [up to 8]:** define (AO1), apply to the context (AO2), develop a chain (AO3).
- **Discuss/Evaluate [up to 12]:** add a two-sided, supported judgement (AO4).

2 Practice

2.1 Define the term *opportunity cost.* [2]

2.2 A student spends $20 on a textbook instead of a concert ticket. State the opportunity cost. [1]

2.3 State the three basic questions every economy must answer. [3]

3 Exam-style questions

3.1 Opportunity cost is best defined as: [1]

- **A** the money price of a good
- **B** the next best alternative given up
- **C** the total cost of all alternatives
- **D** the cost of producing one more unit

3.2 Explain, using an example, why scarcity means that producers face opportunity cost. [4]

3.3 Discuss whether opportunity cost is the most important idea a government should consider when deciding how to spend its budget. [8]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **1.1 Scarcity, choice and opportunity cost** past-paper sheet in the Library, or try these in **Practice mode**:

- 9708/14 N25 —Q1 (scarcity / opportunity cost)
- 9708/21 N25 —Q1 (the economic problem, applied)
- 9708/12 J25 —Q2 (opportunity cost)

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 the next best alternative that is given up when a choice is made (2 for a clear definition; 1 for a partial idea).

2.2 the concert ticket (the enjoyment of the concert) given up (1).

2.3 what to produce; how to produce it; for whom to produce it (1 + 1 + 1).

3.1 B. Opportunity cost is the next best alternative forgone.

3.2 *[4]* AO1 1–2 (define scarcity and opportunity cost) + AO2/AO3 up to 2 —e.g. a factory's resources are finite, so using them to make cars means the trucks it could have made are given up → that forgone output is the opportunity cost.

3.3 *[8]* AO1/AO2/AO3 up to 5 + AO4 up to 3 (a supported judgement). **For:** opportunity cost shows the true cost of each choice, helping spend limited funds where the benefit is greatest. **Against:** a government must also weigh equity, long-term effects and political aims, not just opportunity cost. Judgement: opportunity cost is essential to good budgeting but is one of several factors —its importance depends on the decision.