AP MICROECONOMICS • EXERCISE SHEET

1.1 Scarcity

Name: ____________ Class: ________ Date: __________ **Total: 10 marks**

KEY WORDS opportunity cost 机会成本 • factors of production 生产要素 • scarcity 稀缺性 • free goods 自由物品 • resources 资源

Objective

Build the skills to answer exam questions on **scarcity**.

You must be able to:

- explain how **scarcity** 稀缺性 arises from limited resources and unlimited wants
- identify the four **factors of production** 生产要素
- define **opportunity cost** 机会成本 as the value of the next-best alternative given up
- distinguish **economic goods** 经济物品 (scarce) from **free goods** 自由物品 (not scarce)

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ Scarcity forces choices

Resources are **limited** but wants are **unlimited**, so individuals and societies must choose.

■ The four factors of production

Land, **labour**, **capital**, and **entrepreneurship**.

■ Opportunity cost

The **next-best alternative** given up — not the money price, but what is sacrificed.

■ Economic vs free goods

An **economic good** is scarce and has an opportunity cost; a **free good** (like air where abundant) is not scarce.

2 Practice

2.1 Define opportunity cost. [1]

2.2 List the four factors of production. [2]

2.3 State the difference between an economic good and a free good. [2]

3 Exam-style questions

3.1 The opportunity cost of a choice is [1]

- **A** its money price
- **B** the value of the next-best alternative given up
- **C** the total cost of everything
- **D** always zero

3.2 Which of these is a free good? [1]

- **A** a car
- **B** clean air where it is abundant
- **C** a loaf of bread
- **D** a haircut

3.3 A student spends an evening studying instead of working a $40 shift.

(a) State the opportunity cost of studying. [1]

(b) Name the factor of production that human effort represents. [1]

(c) Explain why the student must make a choice. [1]

Solutions

2.1 the value of the next-best alternative given up when a choice is made.

2.2 land, labour, capital, entrepreneurship.

2.3 an economic good is scarce and has an opportunity cost; a free good is not scarce.

3.1 **B**.

3.2 **B**.

3.3 (a) the $40 of wages given up. (b) labour. (c) time is scarce — an evening can be used only once.