IGCSE ECONOMICS • EXERCISE SHEET

1.3 Opportunity cost

Name: ______________ Class: __________ Date: ____________ **Total: 15 marks**

Objective

Build the skills to answer exam questions on **opportunity cost** 机会成本—what it is, and how it affects **consumers, workers, producers and governments** 消费者、工人、生产者、政府.

You must be able to:

- define opportunity cost
- apply it to each type of decision-maker
- analyse the role of opportunity cost in a decision

1 Worked examples

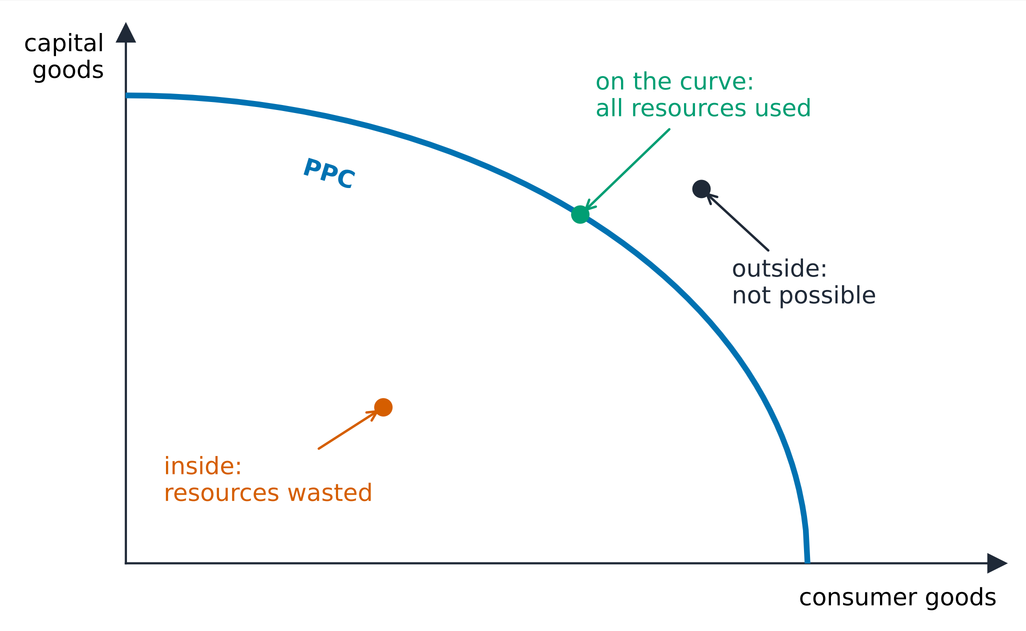
■ The cost of every choice

Opportunity cost is the next best alternative given up

Image: source

- **Opportunity cost** 机会成本: the next best **alternative** 替代选择 given up when a choice is made.
- **Consumer:** buys a game → gives up the book. **Worker:** takes one job → gives up another's pay.

- **Producer:** makes more cars → gives up the trucks. **Government:** builds a hospital → gives up a school.
- Every choice has a cost, even when no money changes hands.



On a PPC, opportunity cost is what you give up moving from one point to another

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

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

2.2 A government spends its budget on a new road instead of a new hospital. State the opportunity cost. [1]

2.3 State the opportunity cost for a worker who chooses one job over another. [2]

3 Exam-style questions

3.1 A consumer spends $30 on a concert ticket instead of a book. The opportunity cost is: [1]

- **A** the $30 spent
- **B** the book given up
- **C** the concert enjoyed
- **D** nothing, because money was spent

3.2 Explain, with an example, how opportunity cost affects a producer's decision. [4]

3.3 Analyse why opportunity cost is important when a government decides how to spend its budget. [6]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **1.3 Opportunity cost** past-paper sheet in the Library, or try these in **Practice mode**:

- 0455/12 N25 —Q2 (opportunity cost)
- 0455/23 N25 —Q2 (opportunity cost, structured)
- 0455/12 M25 —Q9 (choices and cost)

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

2.2 the new hospital that is given up (1).

2.3 the pay (and benefits) of the next best job they could have done (2 for a clear answer; 1 for a partial idea).

3.1 B. The opportunity cost is the next best alternative —the book given up.

3.2 *[4]* K 1–2 + An up to 2 —a producer's resources are scarce, so using them for one product means another is given up → e.g. a factory that makes more cars uses factors that could have made trucks → the forgone trucks are the opportunity cost, which the producer must weigh.

3.3 *[6]* K/App/An —a government has a limited budget but many demands (health, education, defence, roads), so spending on one means giving up another → opportunity cost shows the true cost of each choice → it helps the government compare the benefit of each option and spend where the benefit to society is greatest → ignoring it could waste scarce public money on a less valuable project.