

1.3 Opportunity Cost

Question Paper

Course	CIEIGCSE Economics
Section	1. The Basic Economic Problem
Topic	1.3 Opportunity Cost
Difficulty	Medium

Time allowed: 10
Score: /8
Percentage: /100

Question 1

A deposit of shale oil is discovered in an area of farming.
The following estimates are made for a ten-year period.

- If the land is used only for farming it would yield income after tax of \$10 billion.
- If the land is used only for shale oil extraction it would yield income after tax of \$40 billion.
- The government would receive \$5 billion in taxes from farming and \$10 billion in taxes from shale oil extraction.

What is the opportunity cost of using the land only for farming?

- A. \$25 billion
- B. \$30 billion
- C. \$35 billion
- D. \$45 billion

[1 mark]

Question 2

Sam wrote a list of how he would prefer to spend his Saturday afternoon.

first choice	go to a cricket match
second choice	watch the annual town parade
third choice	go to the cinema
fourth choice	visit relatives

Unfortunately a thunderstorm caused the cricket match and the town parade to be cancelled. Sam went to the cinema.

What was the opportunity cost of going to the cinema?

- A. going to a cricket match
- B. watching the annual town parade
- C. visiting relatives
- D. losing his Saturday free time

[1 mark]

Question 3

A farmer reduces the land used to grow wheat from 80 hectares to 60 hectares and increases the use of the land for growing potatoes from 80 to 100 hectares.

What is the opportunity cost of this change?

- A. The output from 20 hectares used for growing potatoes.
- B. The output from 20 hectares used for growing wheat.
- C. The output from 60 hectares used for growing wheat.
- D. The output from 80 hectares used for growing potatoes.

[1 mark]

Question 4

In recent years more golf courses, which use large quantities of water, have opened in China. What may be the opportunity cost of this?

- A. cost of water
- B. loss of farmland
- C. sales of golf equipment
- D. wages of golf course staff

[1 mark]

Question 5

Sam wrote a list of how he would prefer to spend his Saturday afternoon.

first choice	go to a cricket match
second choice	watch the annual town parade
third choice	go to the cinema
fourth choice	visit relatives

Unfortunately a thunderstorm caused the cricket match and the town parade to be cancelled. Sam went to the cinema.

What was the opportunity cost of going to the cinema?

- A. going to a cricket match
- B. watching the annual town parade
- C. visiting relatives
- D. losing his Saturday free time

[1 mark]

Question 6

Sam wrote a list of how he would prefer to spend his Saturday afternoon.

first choice	go to a cricket match
second choice	watch the annual town parade
third choice	go to the cinema
fourth choice	visit relatives

Unfortunately a thunderstorm caused the cricket match and the town parade to be cancelled. Sam went to the cinema.

What was the opportunity cost of going to the cinema?

- A. going to a cricket match
- B. watching the annual town parade
- C. visiting relatives
- D. losing his Saturday free time

[1 mark]

Question 7

In recent years more golf courses, which use large quantities of water, have opened in China.

What may be the opportunity cost of this?

- A. cost of water
- B. loss of farmland
- C. sales of golf equipment
- D. wages of golf course staff

[1 mark]

Question 8

The Norwegian government chose to spend the profits from oil on stocks, bonds and property. The possibility of improving domestic infrastructure, therefore, was not taken.

Which economic concept does this best illustrate?

- A. cost of production
- B. finite resources
- C. opportunity cost
- D. production possibility frontier

[1 mark]