

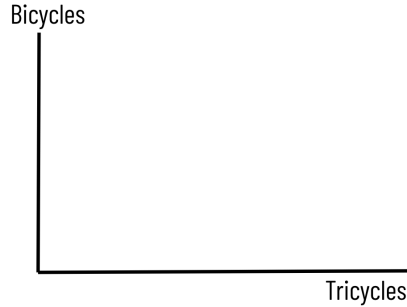


■ Topic 1.3- Production Possibilities Curve (continued)

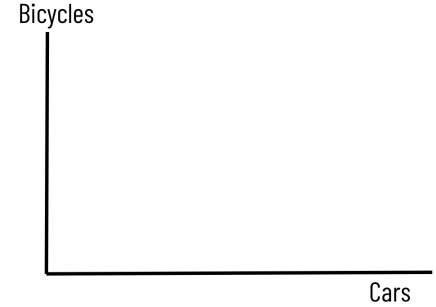
12. Products with [redacted] opportunity cost have similar resources and result in PPC that is a straight line.

13. Products with [redacted] opportunity cost have different resources and result in a PPC that is [redacted] out.

14. Draw PPC with constant opportunity cost



15. Draw PPC with increasing opportunity cost



■ Topic 1.4- Comparative Advantage and Trade

16. There are two types of comparative advantage questions: [redacted] questions and [redacted] questions.

The table shows the number of planes and cars each country can make with the same number of resources.

	Number of Planes	Number of Cars
Mexico	10	40
Chile	25	50

- 17. Which country has an absolute advantage in planes?
- 18. What is Mexico's opportunity cost for producing one car?
- 19. Which country has a comparative advantage in producing planes?
- 20. Identify the terms of trade that can benefit both countries.

1 plane for [redacted] cars

The table shows the number of hours it takes to produce one ton of beef or one boat.

	Ton of Beef	One Boat
France	20	60
Spain	10	20

- 21. Which country has an absolute advantage in beef?
- 22. What is France's opportunity cost for producing beef?
- 23. Which country has a comparative advantage in producing boats?
- 24. Identify the terms of trade that can benefit both countries.

1 boat [redacted] tons of beef

■ Topic 1.5- Cost-Benefit Analysis

25. [redacted] cost is the value of the next best alternative.

26. The traditional out-of-pocket costs associated with choosing one course of action are called [redacted] costs.

[redacted] costs are the monetary or non-monetary opportunity costs of making that choice.

■ Topic 1.6- Marginal Analysis and Consumer Choice

Use the chart showing your total utility for consuming nachos (price = \$6) and tacos (price = \$4) to complete the following.

- 27. If you have \$16, what combination of nachos and tacos maximizes your utility?
- 28. What combination maximizes your utility if you have \$26?
- 29. Identify the utility maximizing rule.

Number of nachos	Total utility	Marginal utility per dollar	Number of tacos	Total utility	Marginal utility per dollar
1	24		1	12	
2	42		2	20	
3	54		3	24	
4	60		4	26	