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Opportunity cost

- Why does almost every economic choice made have an opportunity cost?
 - In most cases, there is an alternative option.
 - In most cases, there is no alternative option.
 - People have infinite wants.
 - Resources are not allocated efficiently.
- Which is least likely to be an opportunity cost of studying economics at university?
 - other things the money could be spent on instead of going to university
 - the difference in earning potential by attending university
 - the option to study geography at university
 - the option to work
- From the data below, what is the opportunity cost of 1 kilogram (kg) of potatoes in terms of kilograms of carrots?

Carrots (kg)		Potatoes (kg)
65	plus	25
55	plus	30

- A** 1 kg **B** 2 kg **C** 5 kg **D** 10 kg

- From the table below, what is the opportunity cost of producing 1 extra unit of producer goods?

Producer goods (units)	Consumer goods (units)
30	52
33	43
36	34
39	25

- A** 1 unit **B** 3 units **C** 6 units **D** 9 units

- Yann bought a new bicycle for \$350 but has never used it. The second-hand value of the bicycle is \$250. What is the opportunity cost to Yann of keeping the bicycle?
 - \$0
 - \$100
 - \$250
 - \$350

- A** \$0 **B** \$100 **C** \$250 **D** \$350

3 OPPORTUNITY COST

6 Define the term *opportunity cost*. [2 marks]

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7 Explain the opportunity cost to society of constructing a new airport. [4 marks]

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8 Colleen earns \$10.50 an hour, but has chosen to take 2 hours off work in order to attend a school trip with her son to a theatre show. Her ticket costs \$15. Calculate the opportunity cost of Colleen attending this school trip. [2 marks]

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9 Sangita pays \$30 for each 1-hour driving lesson taken over a 20-week period. In that time, she could have earned \$18 per hour as a teaching assistant, or \$12 per hour working in a local restaurant. Explain what the opportunity cost is of her taking the driving lessons. [2 marks]

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10 Tiga is an outstanding 14-year-old football player who has been spotted by a top London football club. They have offered him the opportunity to play full-time, on a scholarship of £35,000 per year for the next 4 years, with the intention of becoming professional within this time. Analyse the possible opportunity costs to Tiga if he decides to take up this offer. [6 marks]

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