

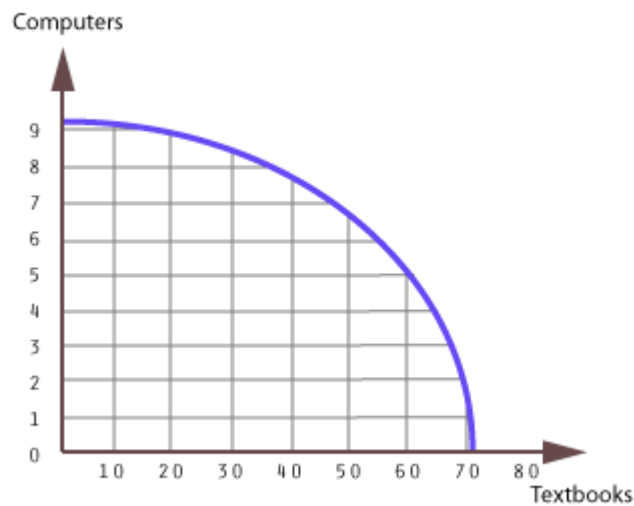
**GRADE 8
ECONOMICS**

TOPIC: Production Possibility Curve

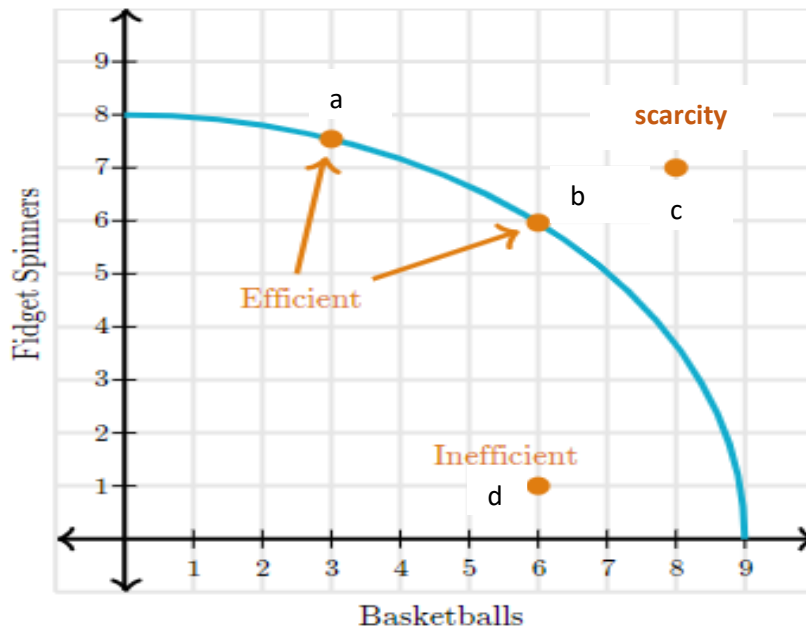
Week # 3 Lesson

1) What is a production possibility curve?

A production possibility frontier (PPF) shows the maximum possible output combinations of two goods or services an economy can achieve when all available resources are fully and efficiently employed. Graphically it can be shown as:



2) Using the concept of production possibility curve the concepts of scarcity, choice and opportunity cost can be shown too e.g.



Explanation:

The Production Possibilities Curve (PPC) is a model that captures scarcity and the opportunity costs of choices when faced with the possibility of producing two goods or services. Points on the interior (inside) of the PPC are inefficient such as point d in the diagram, points on the PPC are efficient such as points a and b, and points beyond the PPC are unattainable such as point c. The opportunity cost is shown by moving from one efficient combination of production to another efficient combination of production. This shows how much of one good is given up in order to get more of the other good.

- 3) Using the following graph answer the questions
- State the maximum number of capital goods the country can produce if it devotes all its resources making capital goods.
 - Calculate the opportunity cost of increasing output of consumer goods from 80 to 90.
 - Calculate the opportunity cost of increasing output of capital goods from 30 to 35.
 - State the maximum number of consumer goods the country can produce if it devotes all its resources making consumer goods.

