

DUNMAN HIGH SCHOOL (SENIOR HIGH) ECONOMICS UNIT 2025 YEAR 5 H1/H2



THE CENTRAL ECONOMIC PROBLEM Tutorial Package

1. A country with a low income per head discovers large quantities of oil, which eventually makes everyone better off. Why is the basic economic problem of scarcity not solved by this discovery?

A) People may not get jobs in the oil industry.
B) People's wants are always changing and increasing.
C) Prices of oil can fluctuate on the world market.
D) Production of oil can damage the environment. ()

2. Which economic change would increase the problem of scarcity?

A) A decrease in fish stocks
B) A discovery of a new oil field
C) An increase in labour productivity
D) A reduction in waste ()

3. What, according to the definition of opportunity cost, is sacrificed when a decision is taken?

A) An identical alternative
B) Any possible alternative
C) The least valuable alternative
D) The value of the next best alternative ()

4. A project was undertaken to build Long Island in Singapore to address rising sea levels and enhance coastal protection. What was the opportunity cost to the local economy?

A) The expenses the government had to pay for the project
B) The cost of the building materials
C) The other infrastructure projects not built as a result
D) The wages of the workers ()

5. Emma carefully planned how she would spend her holiday based on her preferences:

First choice	A holiday trip to Kuala Lumpur by flight
Second choice	Completing a 36km Singapore Coast-to-Coast Trail Hike
Third choice	Attending a movie marathon
Fourth choice	Completing a 2,000-piece puzzle

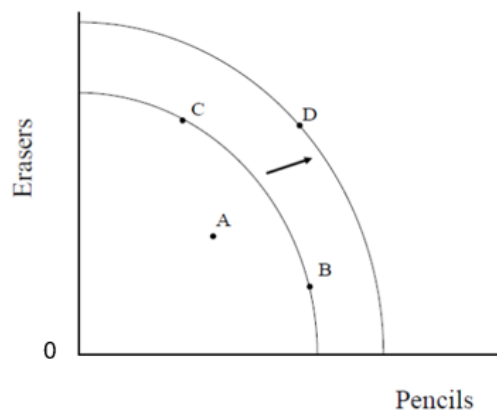
Unfortunately, the airline cancelled the flight due to technical issues, and she injured her foot, which prevented her from completing the hike. As a result, she decided to attend the movie marathon. What was the opportunity cost of attending the movie marathon?

- A) The holiday in Kuala Lumpur
 B) Completing the trail hike
 C) Completing a 2,000-piece puzzle
 D) Not doing anything during her holiday ()
6. A production possibilities curve shows the various combinations of output:
- A) Consumers would like to consume.
 B) Producers would like to produce.
 C) An economy can produce.
 D) An economy should produce. ()
7. If an economy can produce various combinations of food and shelter along a production possibilities curve (PPC), then if we increase the production of shelter along the PPC, which of the following is true?
- A) We also increase the production of food.
 B) We must decrease the production of food. This foregone food production represents the opportunity cost of the increase in shelter.
 C) We cannot change the production of food.
 D) The concept of opportunity cost does not apply along PPC. ()
8. Continuing with question 7, if we continue to shift more and more production to shelter, then which of the following will most likely happen to the opportunity cost of a unit of shelter?
- A) Opportunity cost will increase because as more and more shelter is produced, labour and capital that is highly productive at producing food is being shifted to shelter production, and so more and more food is being given up to produce a unit of shelter.
 B) Opportunity cost is the amount of labour (but not capital) that is used to produce the extra shelter.
 C) Opportunity cost must stay constant if we are to stay on the production possibilities curve.
 D) Both A and B above are correct. ()

9. Again continuing with question 7, suppose a technological innovation resulted in a new, higher-yielding crop that generated more bushels of grain for a given set of land, labour, and capital resources. If this innovation did not affect the productivity of shelter production, then which of the following would be true?
- A) The production possibilities curve (PPC) will shift outward equally along both axes of the graph.
 - B) The PPC will rotate inwards along the food axis, but will not shift on the shelter axis.
 - C) The PPC will rotate outwards along the food axis, but will not shift on the shelter axis.
 - D) The PPC will not change. ()
10. Which of the following reasons might explain why an economy would be operating inside its production possibilities curve (PPC)?
- A) Because shrinking population has reduced the number of productive workers in the economy.
 - B) Because technological innovations have increased the productivity of labour and capital.
 - C) Because damage to natural resources, such as might be caused by deforestation leading to erosion of topsoil, has shrunk the land resource.
 - D) Because of unemployment or underemployment of labour, perhaps due to discrimination against employing workers of a certain race or gender. ()
11. Combinations of goods outside the production-possibilities curve (PPC) have which of the following characteristics?
- A) They are only attainable today if we employ all unemployed or underemployed resources.
 - B) They are not attainable given our existing stock of resources and technology.
 - C) They imply that some resources, such as labour, are unemployed or underemployed.
 - D) None of the above. ()

Questions 12 and 13 refer to the following scenario.

An economy produces two goods: pencils and erasers. The graph shown below depicts two possible production possibilities frontiers (PPFs) for this economy.



12. Which of the following events could cause the economy to move from point B to point D?

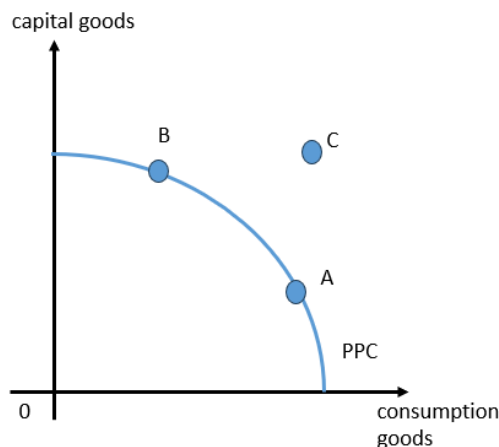
- A) Workers become less productive due to poor working conditions.
- B) A hurricane destroys vital resources for pencil production.
- C) A new machine is invented that makes it easier to produce both pencils and erasers.
- D) All production costs rise proportionally. ()

13. Which of the following statements is true?

- A) Moving from point C to point B requires shifting resources away from eraser production and into pencil production.
- B) Point B represents a less efficient resource mix than point C.
- C) Depletion of non-renewable resources could lead the economy to shift from point C to point D.
- D) At point A, society is producing all the pencils it can. ()

Questions 14 and 15 refer to the following scenario.

An economy produces two goods: capital and consumption goods. The graph shown below depicts two possible production possibilities frontiers (PPFs) for this economy.



14. Which of the following statements is true?

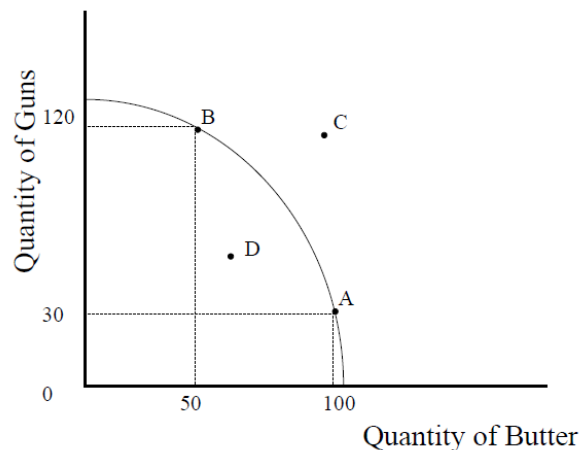
- A) Points A and B are both inefficient.
- B) Point A is preferred to point B.
- C) Point B is preferred to point A.
- D) Point C cannot be attained with current technology. ()

15. Which is likely the effect on current and future total output of a move from point A to point B?

- | | current total output | future total output |
|----|----------------------|---------------------|
| A) | lower | lower |
| B) | lower | higher |
| C) | unchanged | lower |
| D) | unchanged | higher |

()

16. True or false?



- a. In the graph shown above, at point B, society is producing the maximum possible amount of butter. ()
- b. To move from point A to point B, society would have to cut down on its gun production and increase butter production. ()

Sources:

1. GCE O Level Economics 2281 & 9074
2. swlearning.com
3. Tufts University

17. Read the extract and answer the questions below

DHS Promotional Exam 2017

Use of technology in the hotel sector

Two robots, which cost \$100,000 each, have been deployed in Park Avenue Rochester Hotel. Both robots can do the same amount of work as four full-time employees in a year. Hotel general manager Ryan Sun hopes the robots will lead not just to gains in productivity, but also address the manpower crunch. The average age of the housekeeping staff is above 50. Pushing trolleys laden with linen, which can weigh as much as 70kg, takes a toll on their health.

[Adapted from various sources]

- a. On a production possibilities diagram depicting housekeeping services and manufactured goods, explain how the use of robots
 - (i) makes it possible for the economy to produce more of one good without sacrificing the production of another, *while at the same time*
 - (ii) increases the opportunity cost of producing an additional unit of manufactured goods. [6]
- b. Comment on what appears to be a contradiction in (a). [3]