

## Chapter 1 – Section III

1. Which of the following best describes the relationship between trade-offs and opportunity costs?
  - a. Opportunity costs are incurred when trade-offs are made.
  - b. Opportunity costs are the opposite of trade-offs.
  - c. Trade-offs lower the opportunity costs of an economic decision.
  - d. Trade-offs occur when there are no opportunity costs.
  
2. Imagine you decide to purchase a soccer ball for \$35. Which of the following is an opportunity cost of your decision?
  - a. the time spent deciding to spend your money
  - b. something else that could have been bought
  - c. \$35 in cash
  - d. the time spent making the purchase and the tax paid on the ball
  
3. Which of the following is NOT a characteristic of a production possibilities frontier?
  - a. It illustrates the concept of opportunity costs.
  - b. It is based on full employment of all resources.
  - c. It is used by economists as a tool for description and analysis.
  - d. It indicates the ideal production levels for goods and services.

*Match each statement with the correct item below.*

- a. alternative choices
  - b. where consumers and privately owned businesses answer the three basic economic questions
  - c. the quality of life based on the possession of the necessities and luxuries that make life easier
  - d. the cost of the next best alternative when a choice is made
  - e. diagram representing various combinations of goods and services an economy can produce when all resources are fully employed
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4. opportunity cost
  5. production possibilities frontier
  6. trade-offs
  7. free enterprise economy
  8. standard of living