# Opportunity cost and the production possibility curves

C) The Production Possibility Curves is a hypothetical representation of the amount of the two different goods that can be obtained by shifting resources from the production of one, to the production of other. The production possibility curves used to describe a society's choice between two different goods or services. The Production Possibility Curves shows the maximum output that can be produced in an economy at any given moment, given the resources available to produce goods and services in figure 1. 1. If an economy can either choose to fully utilizing its resources to produce goods and services in figure 1. 1.

The concept of choices is deciding between different uses of scarce resources or decision making by firm is produce goods and services. If for household or customers is to choose either services or goods. Scarcity occurs when people want more of something than is readily available. Economics assumes people are greedy and always have any needs and wants. However, there is only a certain amount of most goods. Therefore, people are forced to make a choice among their needs and wants, because our Mother Nature does not satisfy our needs and wants infinitely. In economics, scarcity forces people to make a choice, as everyone cannot have everything perfect. Without scarcity, an economy cannot exist. Because of scarcity, choices have to be made on a daily basis by all consumers, firms and governments.

The opportunity cost is the cost of an alternative that must be forgone in order to pursue a certain action. For example, Macdonald produce chicken burger and beef burger, Macdonald choose to produce chicken burger and give up beef burger. The opportunity cost of Macdonald is beef burger. There are impossible to produce two products in the same time.

If the firm increase the production of goods 100 units, then the firm need to decrease the production of services 0 units. It can help the firm to earn more profit because if the firm produce more goods then the customers will buy the goods radar than services. If the firm produce wants to 40 units of goods and 70 units of services, then the opportunity cost of producing another 10 units of goods is 5 units of services. If the firm product 80 units of goods, then the units of services is 0 units. If the firm utilize all the resources to produce service, then the firm will have insufficient problem to produce goods. This graph is represents efficiency production for a firm to produce goods and services.

Based on the figure 1. 12, Q is a impossible point because, if firm produce 80 units of goods and 65 units of services, then the goods given is 70 units and 48 units of services. It is impossible produce 80 units of goods and 65 units of services because there are insufficient of goods and services. The firm are given 70 units of goods and 48 units of services, then opportunity cost for producing another 10 units o goods (80 units of goods and 65 units of services) is 17 units of services. If the firm want to produce 80 units of goods and 65 units of services, then the firm need to use a longer period or time to success it or expand their business slowly in the next future. Besides, if the firm increase more labour, then the production for goods and services can be increase.

Based on the figure 1. 13, P is waste stage point because, the firm are given 70 units of goods and 48 units of services as their resources, but the firm just produce 60 units of goods and 35 units of services. It is a waste stage, because the firm cannot fully use the resources to produce goods and services. The firm need to fully use their resources given to maintain 70 units of goods and 48 units of services, it can make the graph look more efficiency.

d)

Answer for Question 2

2a) The equilibrium price and quantity is at RM5 with 12 units of quantity (in millions) same as supply and demand.

b)

Demand means an economic principle that use to describe a consumer's desire and willingness to pay price for a specific goods and services. The demand curve is usually downward sloping, while the consumers want to buy more as the price decrease. Supply mean a fundamental economic concept that describe the total amount of a specific good or service that is available to consumers. The supply curve is usually upward sloping, since the price increase, the quantity supplied increase.

Based on the diagram, there have demand and supply in it. Beside, base on the law of demand, when the price of goods or services increase, then the quantity of goods and services will decrease. When the price of goods or services decrease, then the quantity of goods and services will increase. Next, base on the law of supply, When the price of goods or service increase, then the quantity of goods or services offered by suppliers increase. When the price of goods or services decrease, then the quantity of goods or services offered by suppliers decrease.

The new equilibrium price and quantity for the new diagram is at RM6 with 14 units of quantity (in millions) same as supplied and demanded. The quantity of equilibrium has risen from 12 to 14 units of quantity (in millions). The equilibrium price has increase because the tastes of the customers have change. For example, If t-shirts company produced Green colour and Pink colour t-shirts in a free market but the t-shirts company had choose Green colour t-shirts as their product and the opportunity cost of the t-shirts company is pink colour t-shirts, it is the taste of the firm or t-shirts had change. The income is one of the factors that make the equilibrium price increase, because if the salary or income of a person increases, then the demand on a product or service will increase.

C)