



Department of Education, Sabaragamuwa/weekly school

week- January 3

Subject-Economics

Grade-12

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1. What is production possibilities frontier (PPF)? List the assumptions you make when you draw a production possibilities frontier?
2. What causes production possibilities frontier to shift outward?
3. What does increasing opportunity cost mean? What are the implications of this concept for the shape of the production possibility frontier?
4. Draw a production possibilities frontier for a country facing increasing opportunity costs for producing paddy and textile. Show how the PPF changes given the following events.
  - (a) A new and better fertilizer is invented.
  - (b) There is a surge in the quantity of labour which can be employed in both sectors.
  - (c) A severe drought results in a 10% decrease in usable farmland.
  - (d) A new technology is invented in the textile industry to reduce cost of production.
5. State the difference between productive efficiency and allocative efficiency of resources.