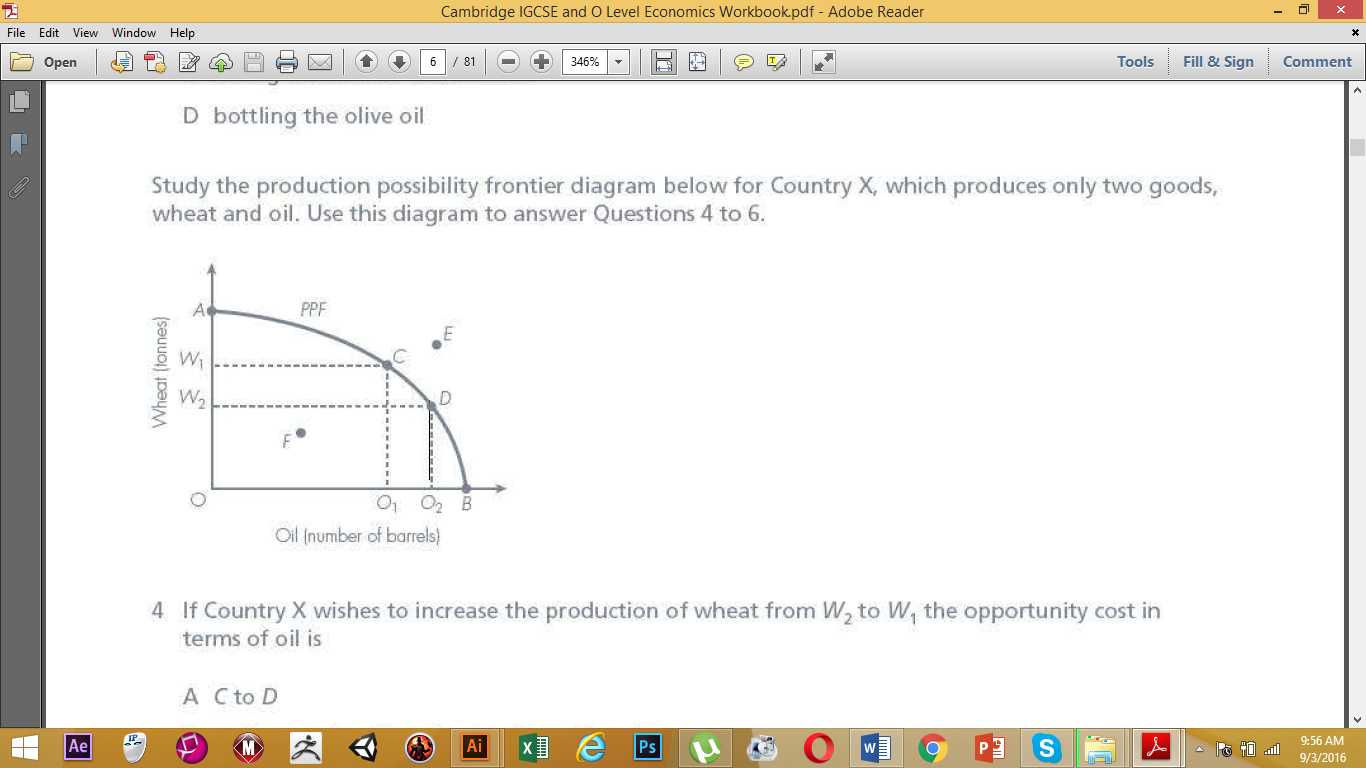
1. The basic economic problem is
2. How to satisfy limited wants and needs with unlimited resources
3. How to allocate scarce resources to satisfy unlimited needs and wants
4. The interaction of market forces to satisfy unlimited needs and wants
5. Meeting increased demand for goods and services with limited resources
6. An example of a free good is
7. Public domain web pages
8. Runningshoes
9. Housing
10. Tennis rackets
11. An olive farm in Northern Italy produces organic olive oil which it sells on its website to specialist shops around the world. An example of tertiary industry activity is
12. Crushing the olives to extract the oil
13. Growing olive trees
14. Selling the oil over the internet
15. Bottling the olive oil

Study the production possibility frontier diagram below for Country X. which produces only two goods, wheat and oil. Use this diagram to answer Questions 4 to 6.



1. If Country X wishes to increase the production of wheat from W2 to W1 the opportunity cost in terms of oil is
2. Cto D
3. an increase in oil production from 0 1 to 0 2
4. a decrease in oil production from 0 2 to 0 1
5. an outward shift of the PPF curve to point E
6. At which point is there spare capacity in the economy?
7. C
8. F
9. D
10. E
11. Describe two ways in which Country X could increase the productive capacity of the economy and cause its PPF curve to shift outwards to point E. [4 marks]

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1. Give one example of a capital-intensive industry and one example of a labour-intensive

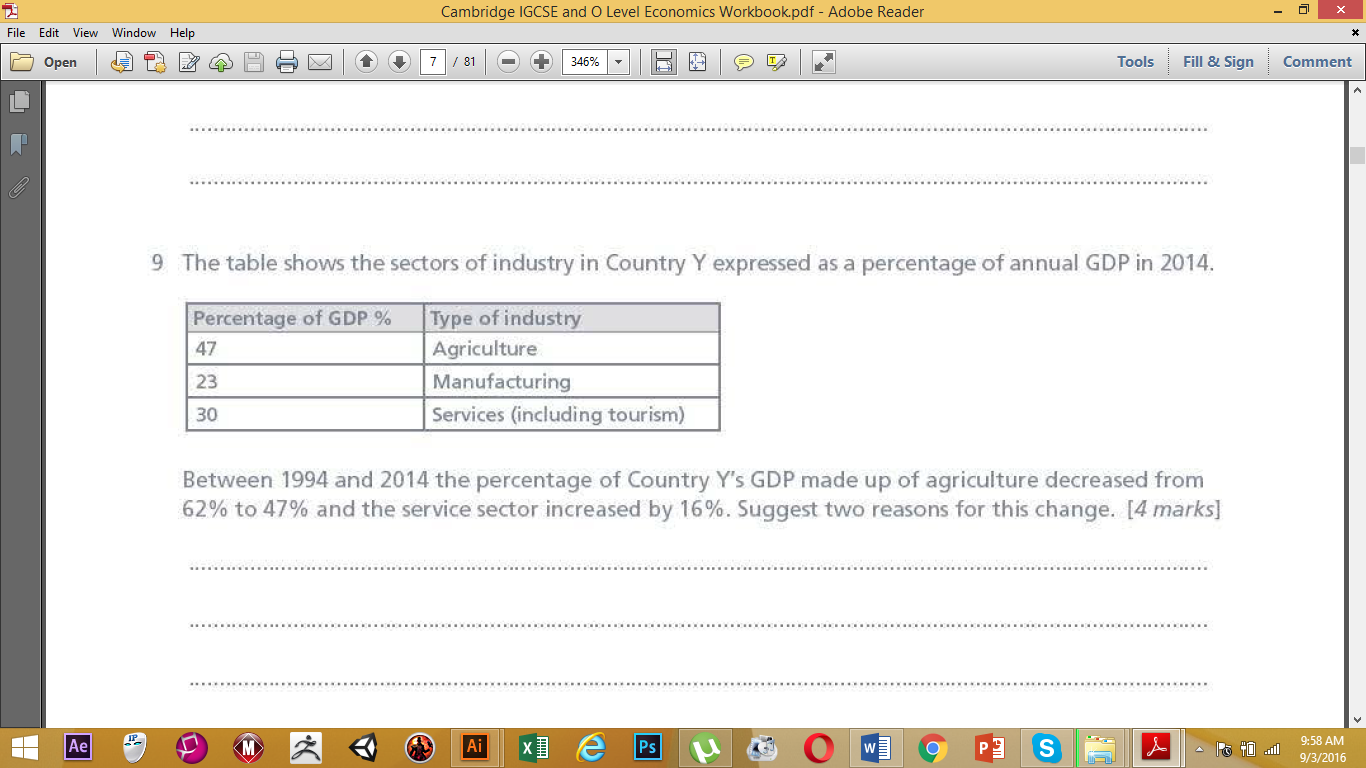
industry. [2marks]

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1. Define opportunity cost using a real-life example. [2 marks]

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1. The table shows the sectors of industry in Country Y expressed as a percentage of annual GDP in 2014.



Between 1994 and 2014 the percentage of Country Y's GDP made up of agriculture decreased from 62% to 47% and the service sector increased by 16%. Suggest two reasons for this change. [4 marks]  
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1. Diaby, an entrepreneur, opened an internet cafe in a village in Ghana equipped with ten computers and wi-fi for customer use. The cafe is very popular with students, farmers and people in the village who run or would like to run their own businesses. Farmers use it to research information about new farming techniques and where to get the best market price for their produce. Other villagers use it to find out about installing solar power and how to access funds available for financing new and existing businesses. Diaby organises classes on how to use computers and how to post useful information, such as energy saving and new planting techniques.
2. Use a PPF curve to show the impact of the internet cafe on the output of the village. [4 marks]
3. Explain two reasons why productivity in the village has increased as a result of the internet. [4marks]

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