**SELF-CHECK 1**

Short answer questions

1. Define factors of production. Explain the four (4) categories of factors of production and give an example of each.

1. Define opportunity cost and production possibility frontier (PPF).
2. Explain the significance of each point that lies **on, outside and inside** of PPF.
3. Country Bread and Butter is able to produce any of the following combinations of bread and butter.

|  |  |  |
| --- | --- | --- |
| Production alternatives | Bread (loaves) | Butter (units) |
| A | 75 | 0 |
| B | 60 | 12 |
| C | 45 | 22 |
| D | 30 | 30 |
| E | 15 | 36 |
| F | 0 | 40 |

a) Calculate the opportunity cost of producing the first 15 loaves of bread.

b) Calculate the opportunity cost of producing the first 12 units of butter.