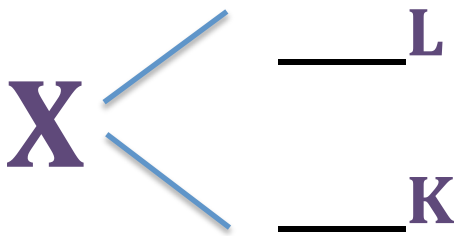
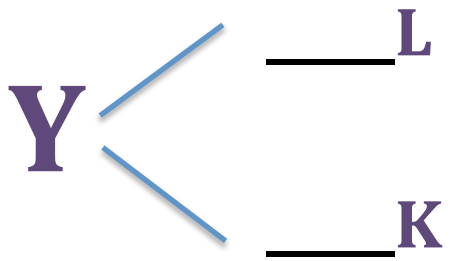
PPF Questions Breakdown



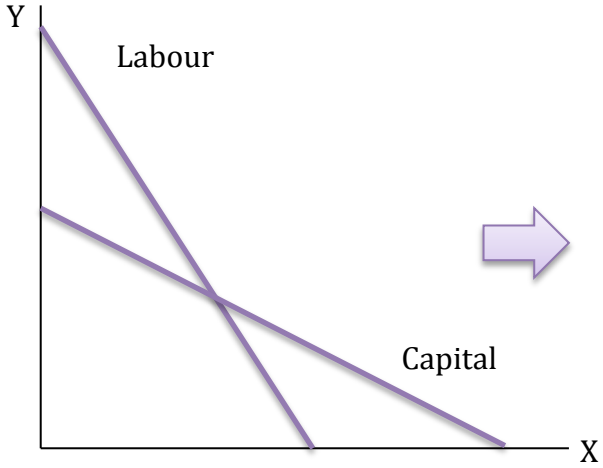
1) Put the unit of each input required for a unit of each output



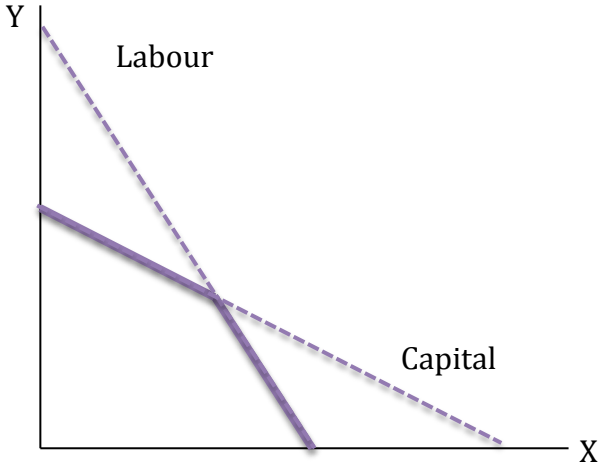
____ X + ____Y = Labour

2) Use these numbers to write down the equations of the constraints for each input

____ X + ____Y = Capital



3) Sketch these equations onto a graph. The PPF is where there are sufficient quantities of both inputs



Opportunity Cost: The amount of one type of output you must give up when producing a different type of output. This is gradient of the PPF. For example, if producing one unit of Y means losing 2 units of X, then the opportunity cost of *producing X* is 2 units of Y. This is represented by the gradient of the PPF.