

IB Business Management

Trimester Assessment Worksheet

Worksheet 4: Opportunity Cost and Economic Choices

Name: _____ Class: _____ Date: _____

Instructions: Answer all questions. Total marks: 50.

Section A: Multiple choice (10 marks)

Select ONE correct answer (A–D).

1. Opportunity cost is:

- A. Total revenue
- B. Next best alternative forgone
- C. Fixed cost
- D. Tax paid

2. Scarcity means:

- A. Unlimited inputs
- B. Choices must be made
- C. No trade-offs
- D. No planning needed

3. Market forces are mainly:

- A. Government planning
- B. Supply and demand
- C. Auditing
- D. Branding

4. Government may provide healthcare because it is:

- A. A luxury good
- B. A merit good
- C. A monopoly
- D. A by-product

5. During economic growth, businesses often:

- A. Face falling demand
- B. Find expansion easier
- C. Stop investing
- D. Avoid innovation

6. In a recession, firms may struggle due to:

- A. Higher demand
- B. Falling demand
- C. Too much profit
- D. Unlimited credit

7. Choosing overseas expansion may mean delaying:

- A. Any other plans
- B. Alternative investments
- C. Laws
- D. Wages always

8. Resource allocation decisions are made by:

- A. Only consumers
- B. Markets and/or government
- C. Only banks
- D. Only NGOs

9. Investing funds in one project implies:

- A. No opportunity cost
- B. A trade-off exists
- C. No risk
- D. Guaranteed profit

10. Opportunity cost helps businesses:

- A. Ignore alternatives
- B. Evaluate best use of resources
- C. Avoid accounting
- D. Remove competition

Section B: Short answer (15 marks)

1. Define **opportunity cost** and give one business example. (4)
2. Explain how scarcity creates trade-offs for businesses. (5)
3. Explain one reason governments intervene for merit goods. (6)

Section C: Data response – Investment decision (15 marks)

A sportswear company has \$2m. It can (A) open an overseas store, (B) upgrade equipment, or (C) develop a sustainable product line. Management must choose one option.

1. Identify the opportunity cost of choosing option A. (4)

2. Analyse two factors the firm should consider before deciding. (6)

3. Evaluate which option is most likely to add value long term. (5)

Section D: Extended response (10 marks)

Answer ONE question.

1. Discuss how opportunity cost improves strategic decision-making. (10)
2. Discuss whether sustainability investments always pay off financially. (10)

Answer Key + Marking Guidance

Section A answers

| Q | Ans |
|----|-----|
| 1 | B |
| 2 | B |
| 3 | B |
| 4 | B |
| 5 | B |
| 6 | B |
| 7 | B |
| 8 | B |
| 9 | B |
| 10 | B |

Sections B–D indicative content

- Opportunity cost = next best option given up (e.g., equipment upgrade if choosing overseas store).
- Scarcity means limited resources; using them one way prevents alternative uses.
- Merit goods: positive externalities and under-consumption; government ensures access/equity.
- Decision factors: demand, cost, risk, cash flow, capability, brand fit, stakeholder expectations.
- Evaluation: depends on objectives; balance growth, efficiency and innovation; conclude with criteria.
- 10-mark answers: use trade-offs and justified judgement.

Assessment rubric (10-mark responses)

| Level | Descriptor |
|-------|---|
| 1–3 | Descriptive; limited terms; little/no example; weak judgement. |
| 4–6 | Clear explanation; some analysis; relevant example(s); some balance. |
| 7–8 | Strong analysis; good case use; considers both sides; justified conclusion. |
| 9–10 | Sophisticated, balanced evaluation; integrates key terms; criteria-based judgement. |