DEFINITION: Production possibility frontier refers to graphical representation of possible combinations of two goods that can be produced with given resources and technology.

ASSUMPTION FOR PPF

- The amount of resources in an economy is fixed but these can be transferred from one use to another.
- Only 2 goods can be produced.
- The resources are fully and efficiently utilised.
- Resources are not equally efficient in production in production of all products. So, when resources are shifted from production of one good to another, the productivity decreases.
- The level of technology remains constant.

PROPERTIES OF PPF

- **PPC SLOPES DOWNWARDS:** PPC slopes downwards from left to right because from the given resource, production of both the goods cannot be increased. If an economy wants to produce more units of good X then it has to sacrifice some units of good Y. In other words, more units of good X can be produced only by producing less units of good Y.
- **PPC IS CONCAVE TO THE ORIGIN:** Resources are not equally efficient in producing all goods and services. So when rsources are shifted fom one