

Principles of Business Test 1- Background of Business
Please do not write on this paper. Thanks
Class: 3 Business, October 2020. Answers only

MULTIPLE CHOICE Number and letters ONLY e.g 1. c

1. The double coincidence of wants is associated with:
 - i. the system of money developed by early human beings
 - ii. all systems of credit
 - iii. a moneyless society
 - iv. the mixed economic system
 - a. ii only
 - b. i and ii only
 - c. iv only
 - d. i and iii only
2. Direct satisfaction of wants entails:
 - a. Obtaining goods through exchange
 - b. Paying only for goods of high quality
 - c. Producing one's own goods and services
 - d. Producing goods through a process of automation
3. The person to whom a cheque is issued is referred to as the:
 - a. payer
 - b. payee
 - c. drawer
 - d. drawee
4. All of the following are conditions necessary for barter exchange to take place except:
 - a. Each party must have something the other wants
 - b. Items must be of equal value
 - c. At least one party must have money
 - d. Goods should be homogeneous
5. Which one of the following is NOT a function of money?
 - a. Measure of value
 - b. Medium of exchange
 - c. Not divisible
 - d. Store of value
6. The work of barter should be categorized under this type of production:
 - a. Extractive
 - b. Constructive
 - c. Manufacturing
 - d. Service
7. Money was introduced as a medium of exchange because it:
 - a. Is legal tender
 - b. Has intrinsic value
 - c. Make trade easier
 - d. Can be considered to gold
8. Choose the most correct ending to the sentence.
 1. Man is termed as 'economic animal' because he:
 - a. Has the ability to understand economic activities
 - b. Lives a life which is governed by economic forces.
 - c. Studies economics in order to live a productive life.
 - d. Uses his ability to satisfy his wants from gifts of nature.
9. Which of the following involves the use of a PIN?
 - a. debit card
 - b. cheque
 - c. standing order
 - d. bill of exchange
10. Early economies could be described as:
 - a. command economies
 - b. subsistence economies
 - c. mixed economies
 - d. free market economies

STRUCTURES QUESTIONS

1. a. Explain briefly what barter is. (2 marks)
b. List three factors (disadvantages) that may affect barter. (3marks)
c. Use them in a real-life example to help explain what they mean. (6 marks)
2. a. List 3 characteristics of money. (3 marks)
b. Explain how these characteristics have improved monetary transactions. (6 marks)
3. Copy and fill out the blank check. Choose ANY 4 parts and fully explain its importance. (14 marks)



4. How does money solve the problems of barter? (2 marks)
5. How does a bank draft differ from a check? (4 marks)

BONUS (5 marks) - Solve the riddle

Mr. and Mrs. Mustard have six daughters and each daughter has one brother. How many people are in the Mustard family?