

MCQs based on 1st Chapter 18 to 20 & other

* Answer all the questions on this paper itself.

* Select the correct answers for questions no. 1-30 and underline it.

2018 A/L Economics 1 MCQ number 1, 2, 3, 4, 5, and 6

- 1) Which of the following statements is a normative statement?
 - 1) Increasing fuel prices will encourage the demand for electric cars.
 - 2) If income increases, sales of luxury goods will fall.
 - 3) As laptop prices fall, people will buy more of them.
 - 4) Government should control rents that house – owners charge.
 - 5) The quantity demanded of a good is inversely related to its price. (2018 Econ I MCQ 1)
- 2) Which of the following is an example of land as a factor of production?
 - 1) Magampura harbor 2) Southern expressway 3) Victoria Dam
 - 4) Ambewela dairy farm 5) Pasikudah beach (2018 Econ I MCQ 2)
- 3) Which of the following is always true of an economy operating on its production possibilities frontier?
 - 1) It must be a free market economy 2) It must be a command economy.
 - 3) Its resources are fully employed.
 - 4) It has achieved production efficiency but impossible to achieve allocative efficiency.
 - 5) It must have a linear production possibilities frontier. (2018 Econ I MCQ 3)
- 4) On a diagram of a production possibilities frontier, opportunity cost represented by,
 - 1) The slope of the production possibilities frontier.
 - 2) A point inside the production possibilities frontier.
 - 3) A ray through the origin.
 - 4) A point on the vertical axis.
 - 5) A point on the horizontal axis. (2018 Econ I MCQ 4)
- 5) Which of the following is necessary for a well – functioning capitalist economy, but **not** in a command economy.
 - 1) Centralized decision making. 2) Scarcity of resources. 3) Monopolies
 - 4) Protection of property rights. 5) Positive externalities. (2018 Econ I MCQ 5)
- 6) When a firm producing the allocative efficient level of output,
 - 1) Total revenue is equal to total cost. 2) Marginal revenue is equal to marginal cost.
 - 3) Marginal revenue is greater than marginal cost.
 - 4) Price is equal to average total cost. 5) Price is equal to marginal cost. (2018 Econ I MCQ 6)

2019 A/L Economics 1 MCQ number 1, 2, 3, 4, 5, and 6 Old syllabus

- 7) The central problem of economics is
 - 1) To establish domestic political framework for the provision of public goods and services.
 - 2) The establishment of prices that accurately reflect the relative scarcities of goods and services.
 - 3) The scarcity of productive resources relative to human wants.
 - 4) To achieve more equitable distribution of money income in order to mitigate poverty.
 - 5) To achieve sustainable development. (2019 Old Econ I MCQ 1)
- 8) Human Capital is
 - 1) All capital owned by individuals, but not by corporations and government.
 - 2) All capital owned by individuals and corporations, but not by government.
 - 3) Machinery that meets safety standards for use by humans.
 - 4) The skills and knowledge endowment of workforce.
 - 5) Construction of infrastructure for schools and hospitals. (2019 Old Econ I MCQ 2)

- 9) Productive efficiency implies
- 1) The use of the least cost technique of production.
 - 2) The production of the product –mix most wanted by the society.
 - 3) The full employment of available resources.
 - 4) Production of some point inside of the production possibilities curve.
 - 5) A technological improvement substituting labour with capital.

(2019 Old Econ I MCQ 1)

- 10) As productive resources are scarce, it needs to give up some of one good in order to acquire more of another. This is essence of the concept of

- 1) Specialization
- 2) implicit cost
- 3) Comparative advantage
- 4) absolute advantage
- 5) opportunity cost

(2019 Old Econ I MCQ 3)

- 11) By which of the following can economic growth be depicted using production possibility frontier?

- 1) A rightward shift of the curve.
- 2) A movement upward on an existing curve.
- 3) A movement downward on an existing curve.
- 4) A movement from a point outside the curve to a point on the curve.
- 5) A movement from a point on the curve to a point inside the curve.

(2019 Old Econ I MCQ 5)

- 12) The idea that consumers determine what is produced in the economy through their demand is known as

- 1) a laissez-faire economy
- 2) market economy
- 3) consumer sovereignty
- 4) Free enterprise
- 5) a mixed economy

(2019 Old Econ I MCQ 6)

2019 A/L Economics 1 MCQ number 1, 2, 3, and 4 new syllabus

- 13) The branch of economics that studies the decisions of individual household's and firms is called

- 1) macroeconomics.
- 2) microeconomics.
- 3) positive economics.
- 4) normative economics.
- 5) welfare economics.

(2019 New Econ I MCQ 1)

- 14) The income payments made to resource owners of land, labour, capital and entrepreneurship respectively are,

- 1) interest, wages, rent and profit
- 2) rent, wages, interest and dividend
- 3) rent, profit, wages and interest
- 4) rent, wages, interest and profit
- 5) interest wages dividends and rent

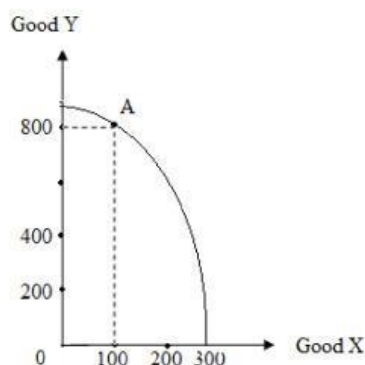
(2019 New Econ I MCQ 2)

- 15) Which of the following is a salient feature of a command economic system?

- 1) Private ownership of resources.
- 2) Heavily reliance on markets
- 3) Central planning
- 4) concentration on market power
- 5) Decision making based on self-interest.

(2019 New Econ I MCQ 3)

- 16) The diagram below shows production possibilities frontier for an economy producing point A.



What is the quantity of good X given up to produce the quantity of good Y?

- 1) 100
- 2) 200
- 3) 300
- 4) 400
- 5) 500

(2019 New Econ I MCQ 4)

17) Which of the following is a macroeconomic statement?

- 1) Plumbers earn more than masons.
- 2) The reasons for the rise in general price level.
- 3) The reasons for the rise in price of vegetables.
- 4) The contribution of home gardening to national economy.
- 5) Increase in the wage rate of plantation workers.

(2020 Old Econ I MCQ 1)

18) The more likely explanation for the upward shift in production possibilities curve representing the production of capital goods and consumer goods is

- 1) the decreasing the supply of some inputs.
- 2) The decrease in supply of all inputs.
- 3) the adaptation of a full employment policy by the government.
- 4) an increase in the demand for capital goods and consumer goods.
- 5) an improvement of the technology used for producing capital and consumer goods.

(2020 Old Econ I MCQ 2)

19) The opportunity cost of going to see a movie is equal to the

- 1) Cost of the ticket.
- 2) Time lost while watching the movie.
- 3) Value of the next best possible activity forgone.
- 4) Loss of time that could have spent with friends.
- 5) loss of pleasure that could have enjoyed watching TV instead.

(2020 Old Econ I MCQ 3)

20) An economic system which the government decide what goods are produced how they are produced and for whom they are produced is known as a

- | | | |
|------------------------|--------------------------|-------------------------|
| 1) traditional economy | 2) social market economy | 3) market economy |
| 4) command economy | 5) maxed economy | (2020 Old Econ I MCQ 4) |

21) A market economy best solves the economic problem of scarcity through

- 1) production and consumption planned by the government.
- 2) production and consumption planned by the producers
- 3) production and consumption planned by the consumers
- 4) Allowing producers and consumers to use their own self interest to determine the production and consumption decisions.
- 5) allowing government to regulate the production and consumption.

(2020 Old Econ I MCQ 5)

22) The factor of production which includes natural resources such as animal and minerals is known as

- | | | |
|---------------------|------------------|-------------------------|
| 1) Entrepreneurship | 2) Land | 3) Capital |
| 4) Labour | 5) Human Capital | (2020 Old Econ I MCQ 6) |

23) A free good has which of the following characteristics?

- 1) It has some degree of scarcity in relation to demand.
- 2) It has no opportunity cost in supply.
- 3) Its consumption or production does not generate any externality.
- 4) It is supplied by the government free of charge.
- 5) It is supplied by the government itself because its consumption is socially desirable.

(2020 New Econ I MCQ 1)

- 24) Economists refer the term 'capital' exclusively to
- 1) human made goods which are used to produce other goods and services.
 - 2) money used to purchase capital in the form of stocks and bonds.
 - 3) savings accumulated by households to purchase capital.
 - 4) money used by an entrepreneur to purchase capital.
 - 5) real estates, forests, metals, and mineral resources.

(2020 New Econ I MCQ 2)

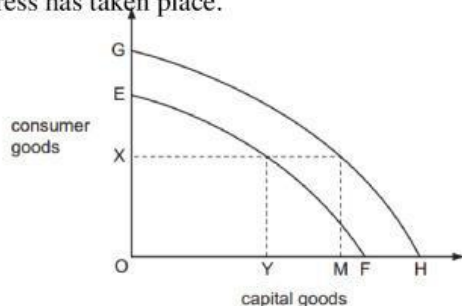
- 25) What is meant by the statement that every economic system faces the problem of scarcity?
- 1) The quantities available of some resources in the society exceeds the demand for them.
 - 2) Mineral deposits are available only in finite amounts in a country.
 - 3) Countries have failed to achieve full employment due to scarcity of resources.
 - 4) The productive resources are not sufficient to satisfy all wants of the society.
 - 5) Economic systems have cyclically recurring expansionary phases during which scarcity of resources occurs.

(2020 New Econ I MCQ 3)

- 26) The allocatively efficient point on a production possibilities curve is achieved when
- 1) The minimum quantity of inputs are used to produce each good.
 - 2) Each good is produced at a level where marginal benefits equal to marginal cost.
 - 3) large amount of capital goods are produced relative to consumer goods.
 - 4) large amount of consumer goods are produced relative to capital goods.
 - 5) each good is produced at a level where price of the good exceeds marginal benefits.

(2020 New Econ I MCQ 4)

- 27) The diagram shows two production possibility curves (EF and GH), before and after technological progress has taken place.



After technological progress has taken place, what is the opportunity cost in capital goods of producing OX consumer goods?

- 1) MH
- 2) OH
- 3) OM
- 4) YF

(2016 CMBR MCQ 3)

- 28) What is most likely to be a result from the division of labour?
- 1) a decrease in job satisfaction
 - 2) a decrease in productivity
 - 3) an increase in the cost of living
 - 4) an increase in unit labour costs

(2016 CMBR MCQ 1)

- 29) Which of the following is the normative economic statement?
- 1) Increase in VAT rates by the government accelerates inflation.
 - 2) Decrease in the external value of the Rupee affects the prices of imports to rise.
 - 3) Increase in salaries to government sector employees causes the Gross Domestic Product to increase.
 - 4) Minimization of subsidy expenses is unfavorable to the poor.
 - 5) Increase in money supply generates a decrease in interest rates.

(2016 Sup S MCQ 1)

- 30) A "free good" is best defined as,
- 1) A product that a consumer receives free of charge.
 - 2) A product given by the nature.
 - 3) A product that can be obtained with a zero-opportunity cost.
 - 4) A product which was provided free by the government.
 - 5) A product that generates a negative utility in consumption.

(2016 Sup S MCQ 2)
