

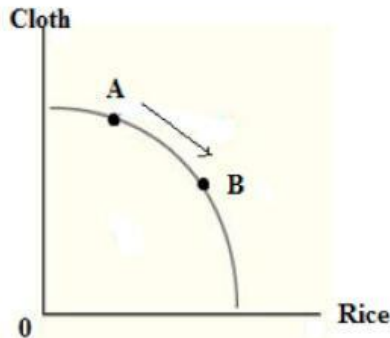
### MCQs based on 1<sup>st</sup> Chapter 03 to 07 & other

\* Answer all the questions on this paper itself.

\* Select the correct answers for questions no. 1-25 and underline it.

2003 A/ L Economics 1-1 MCQ number 1,2 and 3

- 1) Following diagram shows a production possibilities curve defined over cloth and rice.



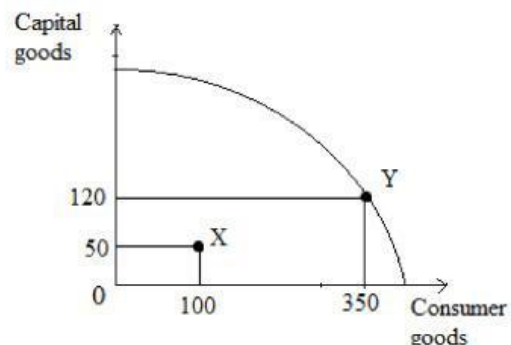
*If the economy changes its production from A to B, which of the following statements about the opportunity cost of cloth and rice is correct?*

- 1) The opportunity cost of rice increases and the opportunity cost of cloth decreases.
  - 2) The opportunity cost of rice decreases and the opportunity cost of cloth increases.
  - 3) The opportunity cost of both rice and cloth increase.
  - 4) The opportunity cost of both rice and cloth decrease.
  - 5) The opportunity cost of rice increases while that of cloth is left unchanged. (2003 Econ I – 1 MCQ 1)
- 2) What is an economic good?
- 1) A good which is sold at profit
  - 2) A good which is produced under condition of increasing efficiency.
  - 3) A good which can be supplied only by the private sector
  - 4) A good which has an opportunity cost
  - 5) A good which can be supplied only by the public sector (2003 Econ I – 1 MCQ 2)
- 3) The economic problem of what should be produced in a planned economy is determined
- 1) by the independent decision of the entrepreneurs.
  - 2) by joint decisions of the consumers and the government.
  - 3) partly by the market forces and the partly by the state.
  - 4) by the directives of the government.
  - 5) by the spending decisions of the consumers. (2003 Econ I – 1 MCQ 3)

2004 A/ L Economics 1-1 MCQ number 1 and 2

- 4) The following diagram represents the production possibility curve for an economy producing capital and consumer goods.

If the economy represented in the diagram shifted its level of production from point X to point Y, there would be



- 1) An opportunity cost of 70 units of capital goods.
- 2) An opportunity cost of 250 units of consumer goods.
- 3) An increase in unemployment.
- 4) No opportunity cost involved.
- 5) A transfer of resources from consumer goods sector to capital goods sector. (2004 Econ I – 1 MCQ 1)

- 5) A mixed economy may be defined as one in which resources are
- 1) allocated to meet the needs of both consumers and producers.
  - 2) used partly for the production of consumer goods and partly for the production of capital goods.
  - 3) allocated partly by the market forces and partly by the state.
  - 4) allocated partly by the spending decisions of the entrepreneurs.
  - 5) allocated partly by the spending decisions of the consumers.

(2004 Econ I – I MCQ 2)

2005 A/ L Economics 1-1 MCQ number 1, 2, 3, 4 and 5

- 6) The fundamental economic question faced by all countries is,
- 1) Too much money chasing after few goods.
  - 2) Excessive use of earth's scarce resources.
  - 3) Environmental pollution.
  - 4) Unlimited wants constrained by limited resources.
  - 5) Growing poverty.

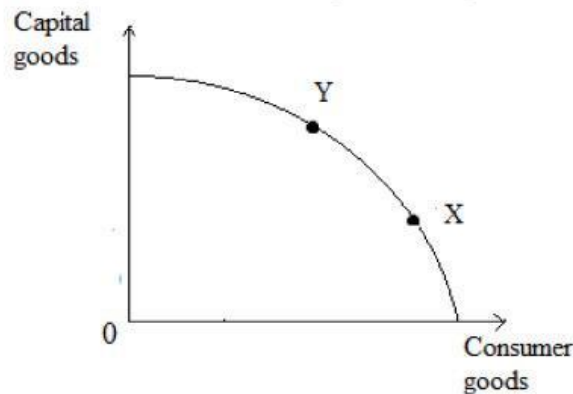
(2005 Econ I – I MCQ 1)

- 7) Which of the following is a scarce resource?

- 1) Coal
- 2) water
- 3) skilled labour
- 4) time
- 5) All of the

(2005 Econ I – I MCQ 2)

- 8) The diagram below shows the production possibilities frontier of an economy.



Indicate the correct combination of current and future living standards resulting from a movement from X to Y on the curve?

	Current living standards	Future living standards
1)	decrease	decrease
2)	decrease	increase
3)	increase	decrease
4)	increase	increase
5)	increase	Remain unchanged

(2005 Econ I – I MCQ 3)

- 9) Which one of the following is most likely to result from increased specialization?

- 1) Lower production
- 2) Higher unit costs
- 3) Lower wages per worker
- 4) Higher productivity.
- 5) Low level of technology.

(2005 Econ I – I MCQ 4)

- 10) In a market economy, the price mechanism can achieve all of the followings **except**

- 1) Signaling changes in consumer taste.
- 2) Causing supply to respond to changes in demand.
- 3) Eliminating excess supply and excess demand.
- 4) Ensuring the fair distribution of all types of goods.
- 5) Rationing limited resources among alternative uses.

(2005 Econ I – I MCQ 5)

2006 A/L Economics 1-1 MCQ number 1, 2, 3, and 4

11) One of the differences between a free market economy and a centrally planned economy is that in the former,

- 1) Some resources are privately owned and some resources are state owned.
- 2) Resources are only scarce in a free market economy.
- 3) All resources are privately owned and allocated by market forces.
- 4) Most resources are used to produce capital goods.
- 5) Resources are allocated by the market forces and are therefore no longer scarce. (2006 Econ I – I MCQ 1)

12) In a planned economy, the question of “for whom to produce” is determined primarily by,

- 1) The scale of resources for income payment in competitive markets.
- 2) the distribution of production to members of the community based on social customs.
- 3) government distributing goods and services to low - income earners
- 4) government centrally setting wages and prices as part of an economic plan
- 5) the bargaining process between employers and employees. (2006 Econ I – I MCQ 2)

13) The problem of scarcity

- 1) exists only in economies which rely on a mixed economy.
- 2) could be eliminated if we could force prices to fall.
- 3) means there are shortages of some goods.
- 4) exists because human wants cannot be satisfied with available resources
- 5) exists now but will be eliminated with economic growth. (2006 Econ I – I MCQ 3)

14) Assume an economy producing private goods and public goods. When the economy is operating on its production possibility frontier, an increase in the production of public goods will,

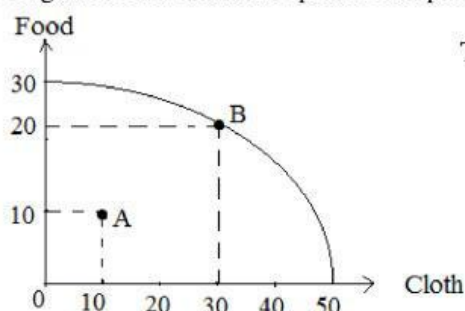
- 1) have no effect on the supply of private goods.
- 2) increase the opportunity cost of the private goods.
- 3) increase total output because public goods are non-rival.
- 4) mean a reduction in the production of private goods.
- 5) shift the production possibility frontier to the left. (2006 Econ I – I MCQ 4)

2007 A/L Economics 1-1 MCQ number 1, 2, and 3

15) A **free good** in economics terms can best be described as one which

- 1) is supplied at a zero price to the consumer.
- 2) is provided free by the government.
- 3) does not use scarce resources in its production.
- 4) is extracted directly from the land or sea.
- 5) can be produced at constant opportunity cost. (2007 Econ I – I MCQ 1)

16) The diagram below shows the production possibilities frontier of an economy.



The opportunity cost of moving from point A to B is,

- 1) 20 units of cloth.
- 2) Zero.
- 3) 10 units of food.
- 4)  $\frac{1}{2}$  unit of cloth per one unit of food.
- 5) 30 units of cloth and 20 units of food (2007 Econ I – I MCQ 2)



- 17) One reason why there are mixed economies is that
- 1) the free market economy allocates resources efficiently.
  - 2) the profit motive acts as a disincentive to new businesses to enter an industry.
  - 3) competition is always undesirable.
  - 4) the market economy can lead to an unequal income distribution.
  - 5) labour productivity is low in free market economy.
- (2007 Econ I – I MCQ 3)

#### Other Questions

- 18) Select the **correct** feature of economic resources.
- 1) Opportunity cost cannot be seen.
  - 2) Money should be spent necessarily to acquire them.
  - 3) Relatively scarce.
  - 4) Supply is determined by the government.
  - 5) Supply is determined by the nature.
- 19) What are the resources that can be included to the property resource group among the following production resources?
- 1) Land and Labour
  - 2) Land and Capital
  - 3) Capital and Labour
  - 4) Entrepreneurship and Labour
  - 5) Capital and entrepreneurship
- 20) The question of what and how much should be produced is a question regarding,
- 1) the economic efficiency
  - 2) the allocation of resources
  - 3) the inequality of income
  - 4) the choice of production technology
  - 4) the demand
- 21) The ‘consumer sovereignty’ is best defined as,
- 1) the ability to obtain goods and services as they wish by using their incomes.
  - 2) the right to make choices as consumers and producers in the market economy.
  - 3) the ability to influence on firms regarding what to be produced based on the demand that consumers make in the market.
  - 4) whether the firms will survive or exit in the market is determined by the consumers and producers based on their choices.
  - 5) the price of the good is determined by the large number of consumers in the market.
- 22) What is the name given in economics for a good which has an unlimited supply at zero prices?
- 1) Economic goods
  - 2) Free goods
  - 3) Merit goods
  - 4) Work in progress
  - 5) Public goods
- 23) A feature that cannot be seen in economic bad is.
- 1) a thing that gives negative satisfaction
  - 2) a thing that gives negative utility
  - 3) a thing that has negative demand at zero price.
  - 4) goods that have negative utility.
  - 5) a thing that has positive demand at zero price.
- 24) Select the factor that does not cause to shift the PPC into left.
- 1) Destruction of the labour force and the capital resources due to the civil war
  - 2) Destruction of the production resources due to the natural disasters
  - 3) Reduction in labour productivity
  - 4) Economic restrictions (sanctions)
  - 5) Increase in unemployment
- 25) An owner of one acre of land can cultivate Millet, Manioc or Sweet Potatoes. He can earn Rs. 25000, Rs. 60000 or Rs. 40,000 respectively by cultivating them in a year. If the farmer decides to cultivate manioc, what would be the opportunity cost of it?
- 1) Rs. 65,000
  - 2) Rs. 60,000
  - 3) Rs. 10,000
  - 4) Rs. 40,000
  - 5) Rs. 85000

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