

MCQs based on 1st Chapter 13 to 17 & other

* Answer all the questions on this paper itself.

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

2013 A/L Economics 1 MCQ number 1, 2, 3, and 4

- 1) Which one of the following is a normative statement?
- 1) Economists classify natural resources as renewable and non-renewable resources.
 - 2) The environment is an example of a scarce resource.
 - 3) Economies have limited means to satisfy unlimited wants.
 - 4) The rate of inflation in Sri Lanka at present is single digit.
 - 4) An unequal distribution of income is unfair. (2013 Econ I MCQ 1)
- 2) The opportunity cost of increasing capital investment in a fully employed economy would be
- 1) a fall in consumption
 - 2) a fall in income
 - 3) a rise in saving
 - 4) a rise in the rate of interest.
 - 5) a fall in output. (2013 Econ I MCQ 2)
- 3) The term 'transition economy' is used to describe a country that is
- 1) Adopting capital intensive methods in place of labor-intensive methods.
 - 2) Moving from central planning towards the market system.
 - 3) Moving from a low-income category to a middle- income category.
 - 4) Replacing a trade deficit with a trade surplus.
 - 5) Moving from a traditional economy towards central planning economy. (2013 Econ I MCQ 3)
- 4) One of the important characteristics of a centrally planning economic system is
- 1) the allocation of resources based on relative prices.
 - 2) the private ownership of resources which is fundamental to economic growth.
 - 3) the decisions taken by the government planners regarding how best to produce goods and services in the economy.
 - 4) the achievement of economic efficiency superior to the market economic system.
 - 5) the very unequal distribution of income and wealth. (2013 Econ I MCQ 4)

2014 A/L Economics 1 MCQ number 1, 2, and 3

- 5) Economics is the study of
- 1) scarcity of resources and full employment
 - 2) scarcity of resources and production
 - 3) scarcity of resources and choice
 - 4) scarcity of resources and efficiency
 - 5) scarcity of resources and substitutability (2014 Econ I MCQ 1)
- 6) The opportunity cost in economics is defined as,
- 1) the other opportunities sacrificed for obtaining something.
 - 2) the financial cost of obtaining something.
 - 3) the cost of time of obtaining something.
 - 4) the total fixed and variable costs of obtaining something.
 - 5) the value of the best alternative sacrificed for obtaining something. (2014 Econ I MCQ 2)
- 7) Out of the following choose the correct answer that shows the correct features of an economic good.
- A – Existence of production cost.
B – Existence of opportunity cost
C – Consumer has to bear a cost
D – Existence of decreasing marginal cost.
- 1) A and B
 - 2) A and C
 - 3) A, B and C
 - 4) A, C and D
 - 5) B, C and D (2014 Econ I MCQ 3)

- 16) The economy based on capitalism includes all of the following characteristics **except**
- 1) a price system based on demand and supply.
 - 2) a system of private property.
 - 3) self-interest among households and entrepreneurs.
 - 4) freedom of enterprise.
 - 5) central planning
- (2015 Econ I MCQ 6)

- 17) The degree of government involvement in the economy is greater in
- 1) a market economy
 - 2) a command economy
 - 3) a mixed economy
 - 4) a social market economy
 - 5) a traditional economy.
- (2015 Econ I MCQ 7)

2016 A/L Economics 1 MCQ number 1,2,3 , 4,5, and 6

- 18) The concept of scarcity in economics refers to a condition where
- 1) Society is not utilizing all of its available resources in an efficient manner
 - 2) People's wants can never be satisfied by the available resources.
 - 3) Some members in each society live in poverty.
 - 4) Too many frivolous goods and services are produced at the expense of socially desirable goods and services.
 - 5) Production is efficient, but the distribution is inefficient.
- (2016 Econ I MCQ 1)

- 19) The production possibility boundaries are drawn concave to the origin to reflect the
- 1) Decreasing opportunity cost of producing more of either good.
 - 2) Scarcity of resources in the economy.
 - 3) Constant opportunity cost of producing more of either good.
 - 4) Unfair distribution of resources in the economy.
 - 5) Increasing opportunity cost of producing more of either good.
- (2016 Econ I MCQ 2)

- 20) In a free market economy, which of the following is **incorrect**?
- 1) Prices allocate resources equally among competing production sectors in the economy.
 - 2) Prices indicate relative scarcities and costs of production of goods and services.
 - 3) Relative price changes are a determinant of firms' profits and therefore encourage or discourage production.
 - 4) Prices are measures of consumers' willingness to pay for goods and services.
 - 5) Prices signal to consumers how much they must sacrifice to obtain a commodity.
- (2016 Econ I MCQ 3)

- 21) In a competitive market with no externalities, allocative efficiency would exist if prices equal
- 1) total cost in all markets
 - 2) marginal revenue in all markets.
 - 3) marginal costs in all markets.
 - 4) average variable costs in all markets.
 - 5) the value of marginal product.
- (2016 Econ I MCQ 4)

- 22) The term human capital refers to
- 1) the labour resources used to make capital equipment.
 - 2) buildings and machinery.
 - 3) the skill and knowledge endowment of labour force.
 - 4) entrepreneurship and risk-taking ability.
 - 5) labour force employed in the health and education sectors.
- (2016 Econ I MCQ 5)

- 23) Potential output is
- 1) the maximum GDP that an economy actually achieved during the last ten years.
 - 2) achieved during the period when all of the labour force is employed in tradable goods producing sector.
 - 3) a goal that can never be achieved by the economy using all its resources most efficiently.
 - 4) the GDP that could be produced when the economy's resources were fully employed at a normal intensity of utilization.
 - 5) the GDP that could be produced when the economy's resources were fully employed at a maximum intensity of utilization.
- (2016 Econ I MCQ 6)

2017 A/L Economics 1 MCQ number 1,2,3 , 4,5, and 6

24) Which one of the following is not a factor of production?

- | | | |
|----------------------|---------------------|------------|
| 1) Natural resources | 2) Human resources | 3) Capital |
| 4) Money | 5) Entrepreneurship | |

(2017 Econ I MCQ 1)

25) The problem of scarcity

- 1) exists only in developing countries
- 2) exists only in market economies
- 3) exists because prices of goods and services are too high
- 4) exists now but will be eliminated with economic growth.
- 5) exists because of limited resources.

(2017 Econ I MCQ 2)

26) Which one of the following is assumed in constructing production possibilities curve?

- 1) The economy is using its resources inefficiently.
- 2) Resources are used to produce only private goods.
- 3) Full employment, but not full production, is being realized.
- 4) Production technology is fixed.
- 5) There is no inflation in the economy.

(2017 Econ I MCQ 3)

27) An economy has achieved productive efficiency when

- 1) It is unable to produce more of one good without producing less of another.
- 2) The marginal cost of producing each good is equal to its price.
- 3) It has eliminated all externalities.
- 4) The resources are allocated to produce goods and services most wanted by the society.
- 5) It is self-sufficient in all products.

(2017 Econ I MCQ 4)

28) The fundamental economic question of what to produce and for whom to produce are essentially independent because:

- 1) Different patterns of income distribution generate different patterns of demand and therefore different patterns of resource allocation.
- 2) Different patterns of production methods generate different patterns of income distribution.
- 3) Income and wealth are concentrated in the hands of the economically powerful segments of society.
- 4) Markets cannot be relied upon to allocate resources efficiently.
- 5) A particular level of output may be produced by many different combinations of inputs.

(2017 Econ I MCQ 5)

29) The main function of prices in a market economy is to,

- 1) Generate more profit to the entrepreneur.
- 2) Guide households to choose investment opportunities.
- 3) Determine the elasticity of demand curves.
- 4) Improve the distribution of income.
- 5) Allocate scarce resources among alternative uses.

(2017 Econ I MCQ 6)

30) Neither economic resource nor production good

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|------------------------|-----------|-------------------------|
| 1) Land | 2) Labour | 3) Capital and building |
| 4) Foods and beverages | 5) Money | |
