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)***

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8) The functions of price in a market economy are,
   1) Rationing and functioning as a store of value.
   2) Signaling, providing incentives and functioning as a measure of value.
   3) Signaling, providing incentives and functioning as a store of value.
   4) providing incentives and functioning as a measure of value.
   5) Signaling, providing incentives and rationing. ***(2014 Econ I MCQ 4)***

9) In a market economy personal income is determined by
   1) government factor price policy and subsidies.
   2) factor price in the factor market and personal income taxes.
   3) factor price in the factor market and government wage policy.
   4) factor price in the factor market and the quantity exchanged at that price.
   5) property ownership and factor price in the factor market. ***(2014 Econ I MCQ 5)***

10) A point inside the production possibility curve shows,
   1) unemployment 2) scarcity of resources 3) obsolete technology
   4) over –utilization of resources 5) existence of unskilled labour. ***(2014 Econ I MCQ 6)***

2015 A/L Economics 1 MCQ number 1,2,3, 4,5,6 and 7

11) Which of the following is a microeconomic statement?
   1) The price of rubber declined by 10% last year.
   2) Unemployment was 5.8% of the labour force last year.
   3) The real gross Domestic Product increased by 7% last year.
   4) The general price level increased by 4% last year.
   5) The tax revenue of the government decreased by 8% last year. ***(2015 Econ I MCQ 1)***

12) The three key groups of decision makers in an economic system are,
   1) households , business firms and banks.
   2) households , business firms and government.
   3) business firms , government and non- governmental organizations.
   4) business firms , banks and foreign traders.
   5) households , government and banks.

(2015 Econ I MCQ 2)

13) The opportunity cost of a particular activity
   1) is the same for everyone pursuing the activity
   2) includes both monetary cost and the forgone income.
   3) includes monetary cost only.
   4) includes forgone income only.
   5) measures the direct benefits of that activity. ***(2015 Econ I MCQ 3)***

14) Along a country's production possibilities frontier,
   1) the level of technology is changing
   2) more of one good can be produced without giving up producing some of the other good.
   3) resources are not being fully utilized.
   4) available resources are being fully utilized.
   5) there is a productive inefficiency in the economy. ***(2015 Econ I MCQ 4)***

15) If resources were perfectly substitutable in all economic activities, which of the following would be true?
   1) Output of all goods could be increased.
   2) The production possibilities curve would be a straight line.
   3) Specialization and mutually beneficial trade would be impossible.
   4) No country or individual would have a comparative advantage in any activity.
   5) Scarcity of resources would be eliminated. ***(2015 Econ I MCQ 5)***

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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 of 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 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)

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

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