

### MCQs based on 1<sup>st</sup> Chapter 08 to 12 & other

\* Answer all the questions **on this paper itself**.

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

2008 A/L Economics 1-1 MCQ number 1, 2, and 3

- 1) The table below shows the production possibilities of a farmer who uses all his resources to produce millet and corn, at a given time.

| Millet (Bushels) | Corn (bushels) |
|------------------|----------------|
| 0                | 55             |
| 10               | 50             |
| 20               | 42             |
| 30               | 28             |
| 40               | 0              |

Suppose the farmer currently produces 20 bushels of millet and 42 bushels of corn. According to the above table, the opportunity cost of 10 more bushels of millet is

- 1) 5 bushels of corn      2) 8 bushels of corn      3) 14 bushels of corn  
4) 1.4 bushels of corn      5) 28 bushels of corn

(2008 Econ I – 1 MCQ 1)

- 2) One of the main functions of the price mechanism in a free-market economy is to

- 1) ensure full employment      2) ration scarce resources  
3) keep prices stable      4) provide public goods  
5) ensure that incomes are evenly distributed.

(2008 Econ I – 1 MCQ 2)

- 3) A basic difference between a market economy and a command economy would be that

- 1) government plays no role in market economy.  
2) prices both ration and guide in a market economy, but are not major guiding device in a command economy.  
3) Consumer choice does not exist in a command economy.  
4) shortages of output or inputs seldom occur in command economies.  
5) market prices exist only in command economies.

(2008 Econ I – 1 MCQ 3)

2009 A/L Economics 1-1 MCQ number 1, 2,3,4 and 5

- 4) The opportunity cost of studying at a private university is likely to include all of the followings except one. Which of them is **not** included?

- 1) The cost of required text books.  
2) Tuition fees  
3) The income forgone in order to attend classes during the university sessions.  
4) The money spent on haircuts during the university sessions.  
5) The cost of paper and pencils to take notes.

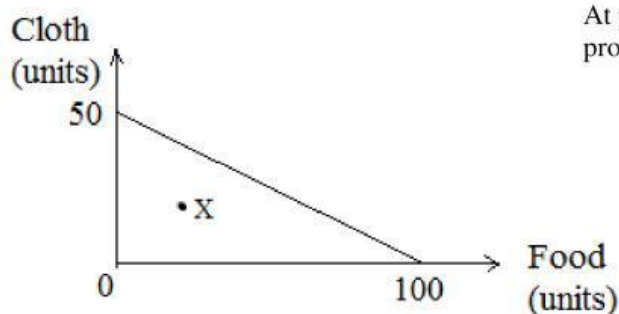
(2009 Econ I – 1 MCQ 1)

- 5) The degree of government involvement in the economy greatest in

- 1) a command economy      2) a mixed economy  
3) a market economy      4) a traditional economy  
5) a social market economy

(2009 Econ I – 1 MCQ 2)

- 6) The diagram below shows the production possibility curve for a hypothetical economy.



At point X in the diagram, the opportunity cost of producing food

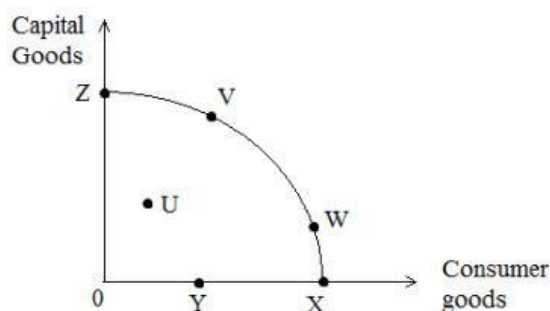
- 1) Cannot be determined  
2) is infinite since it is possible to produce more of food.  
3) Is greater than the opportunity cost of cloth.  
4) Is less than the opportunity cost of cloth.  
5) is zero.

(2009 Econ I – 1 MCQ 3)

- 7) Japan is one of the countries that have been adversely affected by current global economic recession. An immediate impact of the recession on the Japanese economy is
- 1) an outward shift in its production possibility frontier.
  - 2) an inward shift in its production possibility frontier.
  - 3) a movement from a point inside the production possibility frontier to the boundary.
  - 4) a movement to a point further inside of its production possibility frontier.
  - 5) an increase in prices of most goods because scarcity has increase. (2009 Econ I – I MCQ 4)
- 8) Which of the following is **not** an example of capital as a factor of production?
- |                       |                       |                                                            |
|-----------------------|-----------------------|------------------------------------------------------------|
| 1) An office building | 2) A tractor          | 3) A bank loan                                             |
| 4) A road             | 5) An irrigation land | <span style="float: right;">(2009 Econ I – I MCQ 5)</span> |

2010 A/L Economics 1-1 MCQ number 1, 2,3,4 and 5

- 9) The three groups of decision makers in a mixed economic system are
- 1) households, business firms and banks
  - 2) households, business firms and government
  - 3) households, government and cooperatives
  - 4) business firms, government and banks
  - 5) business firms, government and cooperatives (2010 Econ I – I MCQ 1)
- 10) With reference to the functions of the price mechanism in a free market economy, which of the following statement is true?
- 1) Eliminates the surpluses of a good by allowing the market price to rise.
  - 2) Ensures price stability.
  - 3) The price mechanism is used by the government to set up production targets.
  - 4) Falling prices will encourage the suppliers to enter a market.
  - 5) The price mechanism acts as a rationing device (2010 Econ I – I MCQ 2)
- 11) One reason for existence of mixed economies is that
- 1) the free market economy does not ensure private property rights.
  - 2) the profit motive is always undesirable.
  - 3) competition between firms ensures consumer welfare is maximized.
  - 4) the free market economy may lead to market failure.
  - 5) the free market economy always allocates resources efficiently. (2010 Econ I – I MCQ 3)
- 12) ‘Consumer sovereignty’ occurs when
- 1) consumer demand determines what is to be produced.
  - 2) consumer pay less for a good than they are willing to pay.
  - 3) there is no advertising in a market.
  - 4) demand equals supply.
  - 5) there is a choice in the market. (2010 Econ I – I MCQ 4)
- 13) The diagram shows the production possibility curve of a country. Which movement involves no opportunity cost?



- 1) Y to Z
- 2) V to W
- 3) W to X
- 4) X to W
- 5) U to V

(2010 Econ I – I MCQ 5)

2011 A/L Economics 1 MCQ number 1, 2,3,4,5,6,7,8, and 9

14) A point inside the production possibility frontier

- 1) indicates some unemployed resources.
- 2) is unattainable
- 3) is better than points on the production possibility frontier.
- 4) indicates fully employed resources.
- 5) illustrates the idea of opportunity cost.

(2011 Econ I MCQ 1)

15) The branch of economics that studies the decisions of individual households and firms is called

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

(2011 Econ I MCQ 2)

16) Which one of the following is a normative statement?

- 1) Economists classify economic resources as land, labour, capital and entrepreneurship.
- 2) The environment is a example of a scarce resource.
- 3) If income increases sale of luxury goods will fall.
- 4) Economies have limited resources to satisfy unlimited wants.
- 5) An unequal distribution of resources is unfair.

(2011 Econ I MCQ 3)

17) Which one of the following is an example of a natural resource?

- 1) Victoria Dam
- 2) Hambantota harbor
- 3) A paddy field
- 4) A poultry farm
- 5) Dunhinda waterfall

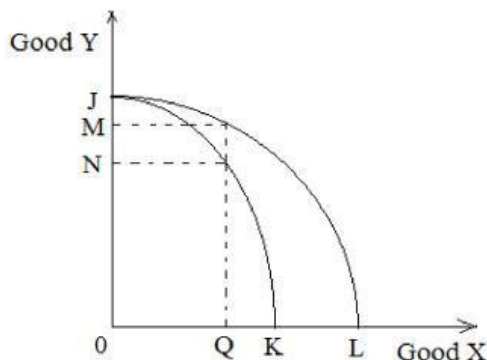
(2011 Econ I MCQ 4)

18) An economic good is one which

- 1) has an opportunity cost in production.
- 2) does not use up resources.
- 3) is supplied competitively
- 4) makes a profit.
- 5) is available even at a zero price.

(2011 Econ I MCQ 5)

19) The diagram shows production possibility curves before and after a technological advancement affecting the production of good X



Which one of the following distances represents the reduction in the opportunity cost of producing 0Q of good X in terms of good Y?

- 1) JO
- 2) JN
- 3) MN
- 4) KL
- 5) QK

(2011 Econ I MCQ 6)



20) An economic system characterized by private ownership of the factors of production, market allocation of resources and decentralized decision making is called,

- 1) market economy
- 2) traditional economy
- 3) social market economy
- 4) command economy
- 5) centrally planned economy

(2011 Econ I MCQ 7)

21) When the price mechanism is used to allocate resources, market prices

- 1) must rise
- 2) are usually regulated by the central government.
- 3) are solely determined by the production costs.
- 4) do not respond to the changes in demand.
- 5) signals to producers the strength of demand and supply.

(2011 Econ I MCQ 8)

22) One of the main functions of prices in a market economy is to

- 1) allocate scarce resources
- 2) provide mechanism for firms to make profits.
- 3) improve economic stability
- 4) improve the distribution of income.
- 5) determine the elasticity of demand curves.

(2011 Econ I MCQ 9)

#### Other Questions

23) Property resources and human resources are stated respectively in

|    | <i>Property Resources</i>        | <i>Human Resources</i>     |
|----|----------------------------------|----------------------------|
| 1) | Land / Household savings         | Entrepreneurship/ Labour   |
| 2) | Capital goods / Entrepreneurship | All human resources        |
| 3) | Capital/ Natural resources       | Labour/ entrepreneurship   |
| 4) | Labour / Land                    | Capital / Entrepreneurship |
| 5) | Entrepreneurship/ Land           | Capital/ Labour            |

24) Identify the activity that is excluded from Economics.

- 1) Finding an income to spend a better-quality life.
- 2) Giving education to the students freely by the government.
- 3) Obtaining a meal which gives minimum nutrition level.
- 4) Giving minimum health facilities to spend a healthy life
- 5) Giving self-confidence to spend a better life.

25) Man made production inputs which are used to produce goods and services are called as,

- 1) Land
- 2) Labour
- 3) Machinery
- 4) Capital
- 5) Skilled Labour