

# The City School

Mid Year Examination  
2016 - 2017  
CLASS 11



CANDIDATE NAME

INDEX NUMBER

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DATE: \_\_\_\_\_

## ECONOMICS

Paper 1 Multiple Choices

2281/12  
45 minutes

**Additional Materials:** Multiple Choice Answer Sheet  
Soft clean eraser  
Soft pencil (type B or HB or recommended)

### READ THESE INSTRUCTIONS FIRST

Write your name, index number on the Answer sheet in the spaces provided unless this has been done for you.

Write in soft pencil.

Do not use staples, paper clips, highlighters, and glue or correction fluid.

There are **thirty** questions in this paper. Answer all questions. For each question there are four possible answers A, B, C and D.

Choose the one you consider correct and record your choice in soft pencil on the separate answer sheet.

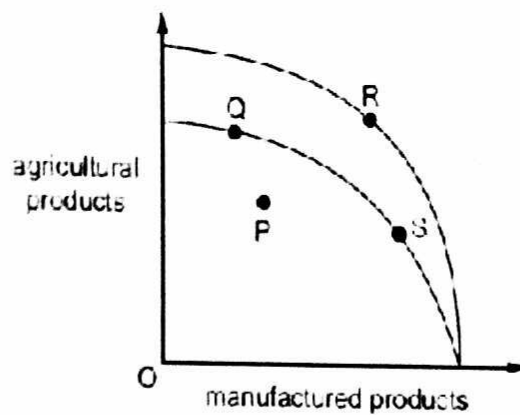
Read the instructions on the Answer Sheet very carefully.

Each correct answer will score one mark. A mark will not be deducted for a wrong answer. Any rough working should be done in this booklet.

Invigilated By: \_\_\_\_\_ Checked By: \_\_\_\_\_ Re-checked By: \_\_\_\_\_

This document consists of 09 printed pages.

1. What is the basic economic problem?
  - A. finite resources and limited wants
  - B. finite resources and unlimited wants
  - C. infinite resources and limited wants
  - D. infinite resources and unlimited wants
  
2. New oil reserves are discovered. What has increased in supply?
  - A. capital
  - B. Enterprise
  - C. labour
  - D. land
  
3. The diagram shows production possibility curves (PPC) for a country that can produce agricultural products or manufactured products. Its current PPC passes through points Q and S but the country is currently experiencing unemployment.



If there is now full employment at the same time as new agricultural techniques enable an increase in productivity, what would be the movement on the PPC diagram?

- A. P to R
- B. P to S
- C. Q to R
- D. S to Q

4. A person makes sandwiches at home for five hours each day. She makes 20 sandwiches per hour, and she sells each sandwich for \$2 each. What is the opportunity cost if she takes a holiday on a working day?

- A. \$2
- B. \$40
- C. 20 sandwiches
- D. 100 sandwiches

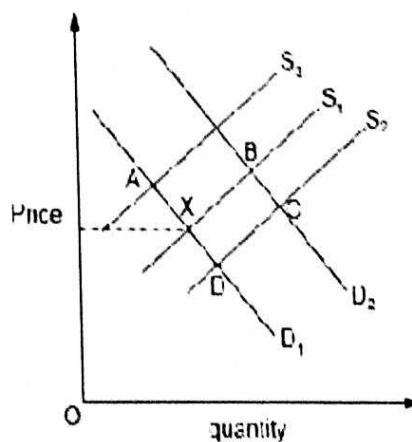
5. What would not be an example of the working of a market system?

- A. a high price charged because of costly research to produce the good
- B. a high price charged for a well-known painting
- C. a low price charged because of economies of scale
- D. a low price charged for subsidized bus travel

6. A product has a price elasticity of supply of +2. A change in price causes the quantity supplied to change from 100 units to 120 units. What is the price change?

- A. a fall of 10%
- B. a fall of 40%
- C. a rise of 10%
- D. a rise of 40%

7. The diagram shows the market for fresh fish in the Caribbean with equilibrium point X. A new type of fishing boat increases production, which reduces costs. Which point represents the new equilibrium?



8. A large supermarket applied to build on land which was in an area of natural beauty. The local government allowed the building, even though the natural beauty of the area would be lost, because many jobs would be created and much needed income would be brought to the local community.

Which economic ideas cannot be found in the above statement?

- A. external cost and private enterprise
- B. free market and the conservation of resources
- C. opportunity cost and improved standards of living
- D. public sector and external benefit

9. The Human Development Index (HDI) measures more than just average incomes.

What are two additional measures it includes?

- A. life expectancy                      years of schooling
- B. percentage unemployed              number of hospitals
- C. poverty rate                            years of schooling
- D. years of schooling                      access to clean water

10. The table shows some economic indicators for four countries.

country	inflation	unemployment	GDP growth
P	3.0%	11.3%	3.5%
Q	4.2%	7.6%	1.0%
R	1.3%	12.2%	3.0%
S	3.5%	10.1%	2.3%

What can be concluded from the table?

- A. high GDP growth occurred with low unemployment
- B. high inflation occurred with high GDP growth
- C. low GDP growth occurred with low inflation
- D. low inflation occurred with high unemployment

11. What is an external benefit when a charge is made for vehicles entering a city centre?

- A. increased government revenue
- B. increased traffic
- C. reduced air pollution
- D. reduced business activity

12. A country has different rates of income tax depending on the level of income earned. The highest rate of income tax is cut from 40% to 38%. From this statement it can be deduced that taxation will become

- A. less indirect.
- B. less progressive.
- C. less regressive.
- D. more difficult to evade.

13. In 2008 inflation was close to 100000% in Zimbabwe. In a bid to reduce this high rate, the Zimbabwean Government imposed maximum prices on a range of products. This caused price rises amongst those goods sold unofficially or illegally.

What could explain this?

- A. The maximum prices increased demand whilst reducing supply.
- B. The maximum prices reduced demand whilst increasing supply.
- C. The maximum prices were set above the equilibrium price levels.
- D. The maximum prices were set at the equilibrium price levels.

14. A government decides to subsidise a major industry that is making a loss and also reduce sales tax (VAT) to increase consumer demand.

Which aim would these policies be likely to help and which aim would they be likely to hinder?

	Aim policies would help	Aim policies would hinder
A.	balance of payments surplus	economic growth
B.	economic growth	full employment
C.	full employment	stable prices
D.	stable prices	economic growth

15. What is typical of a recession (economic downturn)?

- A. falling Gross Domestic Product
- B. falling unemployment
- C. rising living standards
- D. rising retail price index

16. A newspaper reported that there were signs of economic growth and inflation in an economy.

What would not be evidence of such a situation?

- A. an increase in employment
- B. an increase in the general price level
- C. an increase in the income tax rates
- D. an increase in the standard of living

17. The table gives information about four countries.

Which country is likely to have the lowest standard of living?

	country	life expectancy at birth (years)	GNP per head (\$)	adult literacy (%)
A.	Ethiopia	43	110	66
B.	India	59	350	43
C.	Nigeria	51	290	43
D.	Mozambique	45	80	39

18. Developing countries are sometimes given aid by charities and foreign governments.

Which aid programme would be least likely to lead to long-term economic growth?

- A. the building of an irrigation system
- B. the construction of a new airport
- C. the distribution of gifts of food
- D. the training of technical staff

19. What is most likely to happen if there is a fall in the death rate while the birth rate and migration remain unchanged?

- A. The population structure will remain the same.
- B. The population will increase.
- C. There will be a change in the proportion of men to women.
- D. The standard of living will increase.

20. In 2008, the Peruvian Government set itself the target of reducing the number of its people in poverty to 30% of the population.

Which change would be most likely to indicate that the Peruvian Government had made progress towards this objective?

- A. a fall in employment
- B. a fall in infant mortality
- C. a lower level of adult literacy
- D. a lower life expectancy

21. Net migration is the difference in a particular year between

- A. the birth rate and the death rate.
- B. the number of people entering and leaving a country looking for temporary work.
- C. the number of people entering and leaving a country on a permanent basis.
- D. the number of tourists coming to and going from a country.

22. What is likely to happen as a developing country becomes more developed?

- A. A higher percentage of children will attend school.
- B. Infant mortality will rise.
- C. Life expectancy will fall.
- D. The agricultural sector will increase in importance.

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23. The table shows the percentage change in employment over a period for a country with three economic sectors.

economic sector	percentage (%) change in employment
agriculture	-6
manufacturing	+2
services	+4

Which statement must be correct?

- A. Agricultural output fell.
  - B. The country became more developed.
  - C. The working population stayed constant.
  - D. Total employment remained the same.
24. Many developed countries are faced with an ageing population.

What is the likely result of this?

- A. a reduced dependency ratio
  - B. increased mobility of labour
  - C. increased spending on medical care
  - D. reduced tax levels
25. What is an example of market failure?
- A. a growth of competition
  - B. an existence of scarcity
  - C. a spread of pollution
  - D. a surplus of production in the short-term

26. Which action by the operators of an airport directly reduces external costs?

- A. the stopping of night flights
- B. the building of a new runway
- C. the payment of a productivity bonus
- D. the reduction of charges for landing aircraft

27. What is not usually an aim of a government?

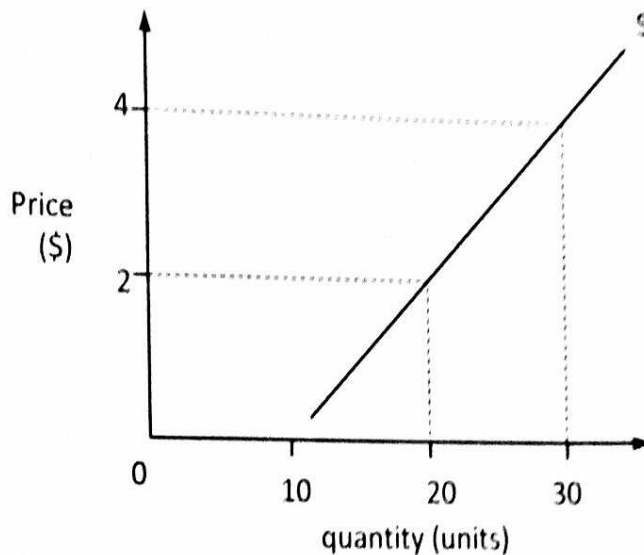
- A. economic growth
- B. full employment
- C. inequality of incomes
- D. price stability

28. The retail price index of a country rose during a year from 200 to 240.

What was the annual rate of inflation?

- A. 20 %
- B. 40 %
- C. 240 %
- D. 440 %

29. The diagram shows the supply curve for a good.



What is the price elasticity of supply when the price rises from \$2 to \$4?

- A. 0.2
- B. 0.5
- C. 1
- D. 2

30. What could a government do to reduce external costs in the economy?

- A. Decrease direct tax for higher income earners.
- B. Decrease direct tax for lower income earners.
- C. Increase indirect tax on petrol/gasoline.
- D. Remove indirect tax on tobacco.