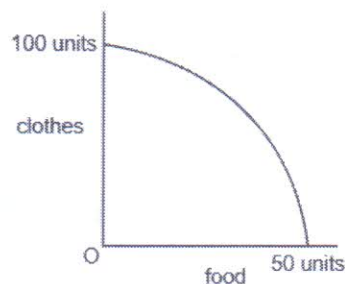




1. A tractor factory runs out of important components and has to stop production.
How does this illustrate the economic problem?
 - A The factory lacks a competitive advantage.
 - B The factory lacks economies of scale.
 - C There are limited wants.
 - D There is evidence of scarce resources.
2. Which statement about the factors of production is correct?
 - A Capital includes man-made machines that do not keep their original value.
 - B Enterprise is a natural factor of production that cannot be taught.
 - C Labour is an immobile factor that does not change its skill level.
 - D Land is only agricultural fields that cannot be improved by human effort.
3. Using all available resources, an economy produces different combinations of two types of goods, clothes and food, shown by the production possibility curve (PPC) below.



What does the PPC indicate?

- A It is more efficient to produce more of clothes than food.
- B It is only possible to increase the output of clothes by reducing the output of food.
- C The best situation is to produce equal units of clothes and food.
- D The cost of producing a unit of clothes is always higher than that of food.

4. The table shows the various combinations of food and clothing which a village can produce using all its resources.

food units	clothing units
0	500
100	400
200	250
300	50
400	0

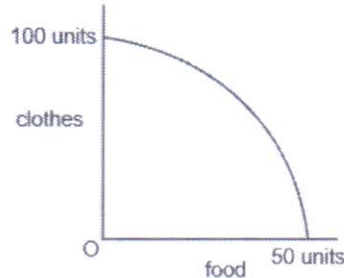
What is the opportunity cost to the village of increasing the production of food from 200 to 300 units?

- A 50 units of clothing
 - B 100 units of clothing
 - C 200 units of clothing
 - D 250 units of clothing
5. In a pure market economy, which secondary factor determines the distribution of goods and services?
- A fairness to the consumer
 - B needs of the consumer
 - C price of the product
 - D quality of the product
6. The government of a developed country subsidises local private businesses, and encourages large foreign companies to locate in the country.
- Which type of economic system is this?
- A free market
 - B mixed
 - C planned
 - D subsistence

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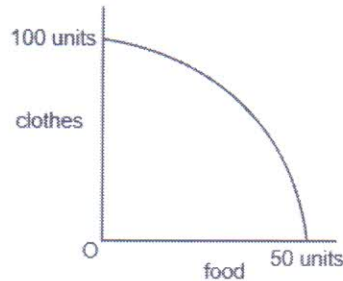
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7. A state-owned industry is sold to the private sector. The industry consists of a number of very large factories.

Which is the most likely change in business organisation to result from this?

- A from private company to public corporations
- B from public company to public corporations
- C from public corporation to public companies
- D from public corporation to private companies

8. A business has two owners. They have limited liability. Its shares are not sold on the stock exchange.

What type of business is this?

- A partnership
- B private limited company
- C public corporation
- D public limited company

9. What is a characteristic of a public corporation?

- A It issues shares to the general public.
- B It is owned by the government.
- C Its objective is to maximise profits.
- D It is owned by more than twenty shareholders.

10. What is most likely to be the main function of a central bank?

- A controlling the money supply
- B investing in commerce and industry
- C issuing and processing credit cards
- D making loans to individuals

11. A commercial bank is appointed to act as a country's central bank.

What new function would it now have?

- A controlling monetary policy
- B dealing in foreign exchange
- C ensuring security for loans
- D holding liquid assets

12. Productivity is measured by:

- A The growth in output of a firm
- B The growth in profits of a firm
- C Total output/total input
- D Total amount of investment in capital goods

13. What is meant by the term 'economies of scale'?

- A That big firms will always be more efficient than small ones.
- B That big firms can always invest more than small ones and so can spend more on resource and development.
- C That bigger economies will always perform better than smaller ones.
- D That as markets grow in size businesses can adapt production techniques to meet increased demand and in the process lower average costs.

14. The Division of Labour refers to:

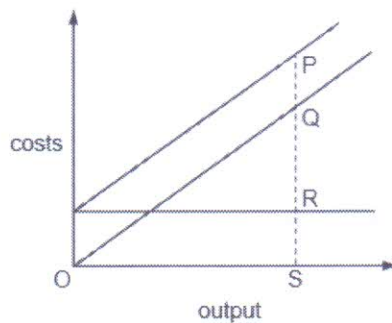
- A The differences in skill levels between workers.
- B The idea that if production can be broken down into specific tasks, with workers specializing in each task, then productivity can be increased. This is because each worker can become more efficient in their particular task.
- C A division between the workers in a business and its owners.
- D The idea that for profits to be generated it is important that business owners are separate from the labour force.

15. When it produces 100 units, a firm's total variable cost is \$300 and its total fixed cost is \$2700.

What is the average cost?

- A \$3
- B \$24
- C \$27
- D \$30

16. The diagram shows the fixed costs, variable costs and total costs of a firm.



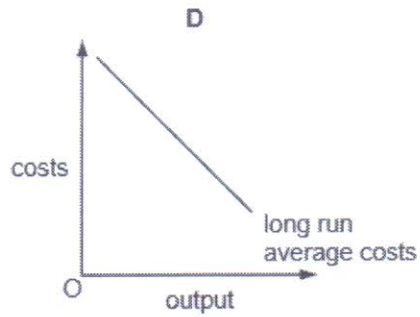
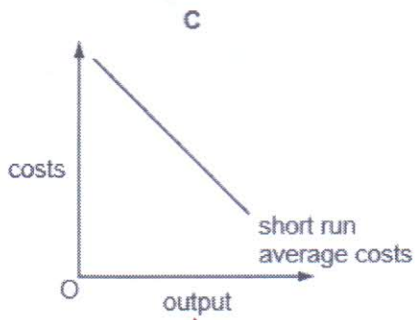
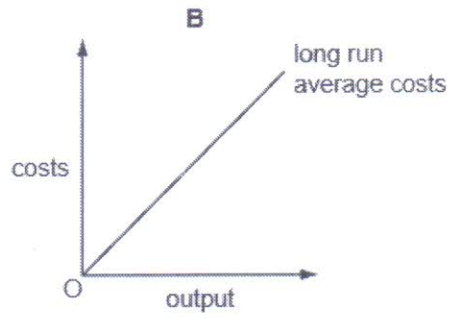
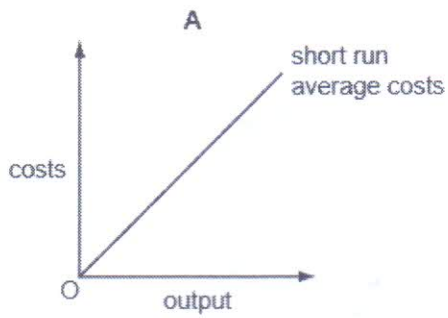
Which distance represents the firm's fixed costs?

- A PS
- B QR
- C QS
- D RS

17. Which type of economy of scale results from a firm producing a diverse range of products?

- A buying
- B financial
- C risk bearing
- D technical

18. Which diagram represents a firm with economies of scale?

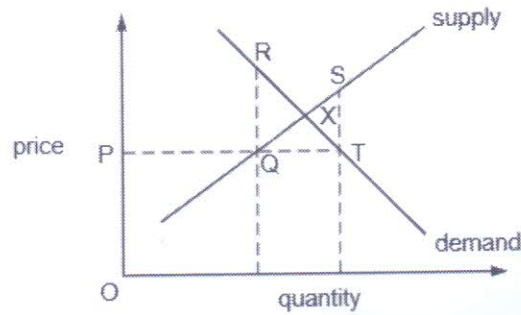


19. A good is successfully advertised.

What is the most likely impact on the demand and supply curves for the good?

	demand curve	supply curve
A	shift to left	shift to left
B	shift to left	shift to right
C	shift to right	shift to left
D	shift to right	shift to right

20. The diagram shows the supply and demand curves for a good. The market is in equilibrium at point X.

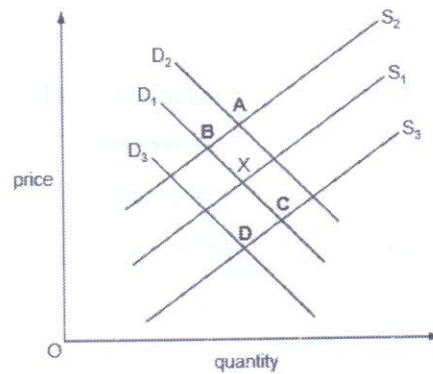


What is the excess demand at price P?

- A PT
- B QR
- C QT
- D ST

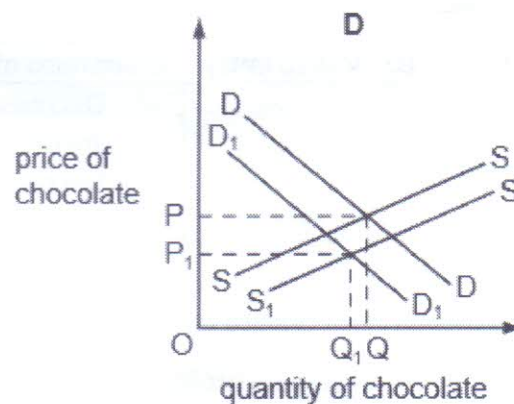
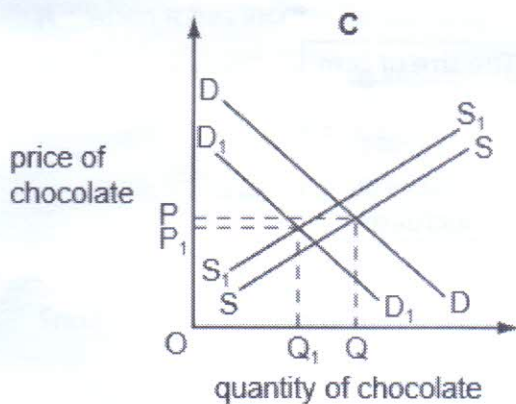
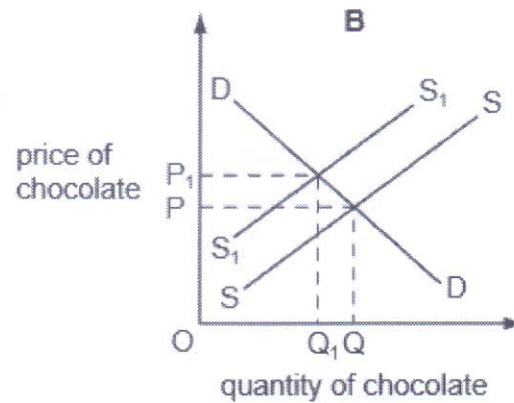
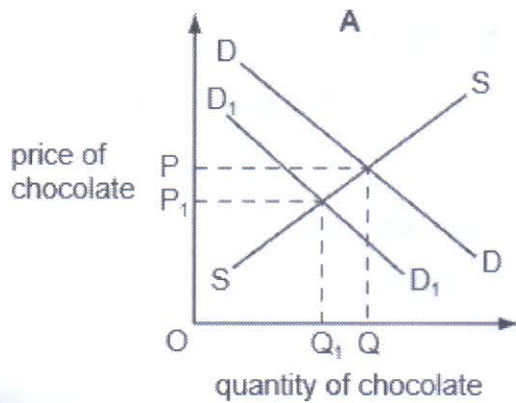
21. The diagram shows the market for refined oil with equilibrium of X.

What will be the new equilibrium when a major oil refinery shuts down for repair work?



22. In July 2016, the UK chocolate producer, Cadbury Schweppes, had to withdraw one million bars of chocolate from the market because of food contamination at one of its factories. This was widely reported in UK newspapers.

Which diagram shows the likely effect on the market for chocolate produced by Cadbury Schweppes? C



23. What is most likely to reduce the supply of factors of production in an economy?

- A increasing the age of retirement
- B introducing new methods of irrigation
- C lowering the cost of borrowing from banks
- D raising the rate of tax on profits

24. The table shows the value of the price elasticity of demand for four products.

product	price elasticity of demand
cars	2.0
mobile phones	1.0
radios	0.5
salt	0.1

What would have an increase in sales revenue if prices rose by 10%?

- A cars only
- B cars and mobile phones
- C radios and salt
- D salt only

25. A market changes from perfect competition to monopoly.

What is likely to happen in this market?

	Barriers to entry	Economies of scale	The size of firm
A	Decrease	Decrease	Increase
B	Decrease	Increase	Decrease
C	Increase	Decrease	Decrease
D	increase	Increase	Increase

26. What is correct for a private monopoly but is not correct for a firm in perfect competition?

- A It aims to maximise its profits.
- B It can make losses.
- C It can restrict the level of competition.
- D It is run by an entrepreneur.

27. Why might a government encourage a monopoly?

- A It can have high average costs.
- B It can compete against foreign firms.
- C It can prevent innovation.
- D It can make excessive profits.

28. What might increase the use of money as a medium of exchange?

- A an increase in income tax
- B an increase in interest rates
- C an increase in savings
- D an increase in specialisation

29. What is the function of a stock exchange?

- A It enables shareholders to sell their shares.
- B It fixes fair prices for shares.
- C It promises to buy unsold shares.
- D It sets the number of shares.

30. When is a firm most likely to undertake capital investment?

- A when it has increasing demand for its product
- B when it has increasing variable cost
- C when it has a decreasing rate of profit
- D when it has decreasing availability of finance