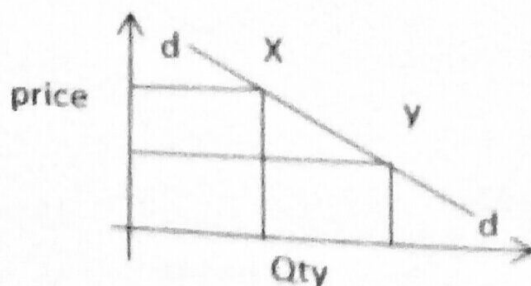


1. An unemployed worker accepts a job. Which of the following is the opportunity cost of this decision?
  - A. The cost of travel
  - B. The income from the new job
  - C. The leisure time lost
  - D. The training in the new job
  
2. A hospital cannot treat all the people that need treatment. This is an example of;
  - A. Excess supply
  - B. Limited wants
  - C. Scarcity
  - D. Unlimited resources
  
3. Economic growth in Russia and China used to be led by the public sector. Now it results more from activities in the private sector. What system exists in Russian and China?
  - A. Market
  - B. Mixed
  - C. Planned
  - D. None of three mentioned above
  
4. The diagram shows the demand for chocolate.

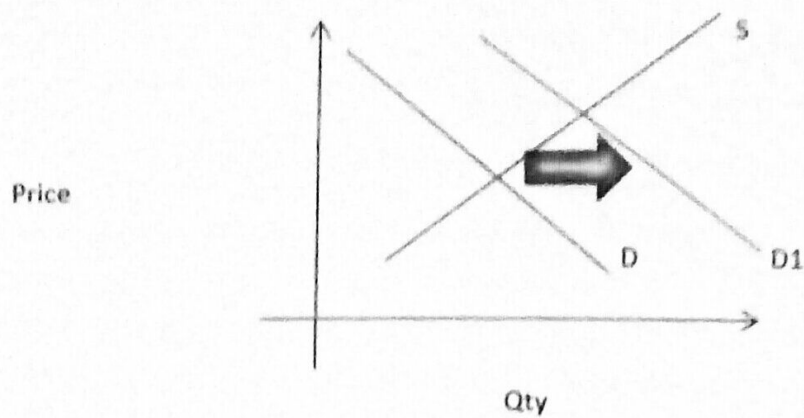


What could cause the movement from point x to point y?

- A. A change in tastes
- B. A fall in the price of chocolate
- C. An increase in income
- D. A successful advertising campaign for chocolate.

5. Which of the following is true for any inelastic demand curve
- A. A price cut causes a fall in expenditure
  - B. A price rise has no effect on demand
  - C. A price rise has no effect on total profit.
  - D. The percentage change in demand is greater than percentage change in price
6. In an economy, a commercial bank has been assigned the functions of a central bank. What are the functions that the bank would be performing as a central bank?
- A. Controlling monetary policy
  - B. Dealing in foreign exchange
  - C. Ensuring security for loans
  - D. Holding liquid assets.
7. Which of the following option can be considered as an advantage of the market economic system?
- A. It has equal distribution of income
  - B. It has good defense system
  - C. It gives incentive to produce.
  - D. It has low pollution and traffic problems
8. What functions do central and commercial banks have in common?
- A. Acting as banker's bank
  - B. Controlling monetary policy
  - C. Dealing with foreign exchange
  - D. Monitoring and controlling the other banks.

9. The graph shows the market for chocolate.



Which of the following might have caused a change in demand from D to D1?

- A. A fall in the cost of producing bread
  - B. A fall in the price of an alternative to chocolate
  - C. A newspaper report that eating chocolate is healthy
  - D. A rise in price of a complement to bread
10. In a company fixed costs are a high proportion of the total costs. What will result in the short run if production is cut by 50%?
- A. Average costs will rise
  - B. Fixed costs will fall
  - C. Total costs will remain constant.
  - D. Variable costs will rise
11. What is the function of the central bank?
- A. To decide government spending
  - B. To determine all interest rates
  - C. To issue new currency
  - D. To lend private businesses
12. Why do bank notes function as money?
- A. They are durable
  - B. They are generally acceptable
  - C. They count as legal tender
  - D. They have intrinsic value.

13. To whom does the central bank usually make loans?
- A. Individuals
  - B. Limited companies
  - C. The government
  - D. The public companies
14. Which cost incurred by a firm manufacturing shirts is a variable cost?
- A. Building insurance
  - B. Interest on bank loans
  - C. Raw materials
  - D. Rent on property
15. In a market economy what does the entrepreneur decide?
- A. The combination of resources
  - B. The demand for the product
  - C. The equilibrium price of the product
  - D. The level of profits
16. Which of the following is a free good?
- A. Inoculation provided free of charge by the state
  - B. Prices of food items given by super market
  - C. Recycled paper
  - D. Wind from sea
17. Four changes effect the supply of a good are listed below. What should cause the supply curve to shift to the right?
- A. An improvement in technology
  - B. An increase in its market price
  - C. A reduction in labour productivity
  - D. The introduction of a sales tax



18. What is an example of complementary demand?

- A. Buses and bus fares
- B. Cotton and cotton seed
- C. Television and electricity
- D. Wood and sawdust

19. What is the basic economic problem facing all economies?

- A. Inequality of income
- B. Insufficient resources
- C. Low economic growth
- D. Shortages of skilled labour

20. What occurs in a planned economy but not in a market economy?

- A. Allocation by the government
- B. Allocation by the price system
- C. Economies of scale
- D. Specialization

21. A government spends \$300 m on employing extra teachers instead of extra nurses. What will be the opportunity cost of this?

- A. \$300m
- B. The cost of training extra teachers
- C. The extra nurses
- D. The reduction in unemployment among teachers

22. Which group has profit maximization as a goal?

- A. Entrepreneur
- B. Governments
- C. Labor
- D. Workers

23. A boat owner employs a crew to catch fish to sell in the market. Which factors of production are involved in this activity?
- A. Labour, capital and enterprise
  - B. Land labour and capital only
  - C. Land labor and enterprise only
  - D. Land labour capital and enterprise
24. If a planned economy becomes a mixed economy which industry will remain under the government control
- A. Agriculture
  - B. Coal mining
  - C. Defense
  - D. Motor car production
25. Construction companies are building new houses on land previously used for farming. What is the opportunity cost to society of this activity?
- A. Improved living conditions
  - B. Less congestion in city centers
  - C. More homes for new homeowners
  - D. Some farm output
26. Tea and sugar are complementary goods. What will happen if the price of tea falls, other things being equal?
- A. The demand curve for sugar will move to the right
  - B. The demand curve for tea will move right
  - C. The price of sugar will fall.
  - D. The supply curve of sugar will move to the left
27. What is not held constant in calculating the demand schedule?
- A. The incomes of consumers
  - B. The prices of complementary goods
  - C. The price of the good itself
  - D. The tastes of consumers

28. As petrol prices increase, demand for petrol remains constant. What does this say about the price elasticity of petrol?
- A. The demand is price elastic
  - B. The demand is price inelastic
  - C. The supply is price elastic
  - D. The supply is price inelastic
29. The Price Elasticity of Demand for a good is unitary. What should be the effect of a 1% fall in its prices?
- A. To increase total revenue by 0.1%
  - B. To leave quantity demanded unchanged
  - C. To leave total revenue unchanged
  - D. To reduce quantity demanded by 1%
30. What is an important influence on Price Elasticity of Demand?
- A. Average earnings
  - B. Tastes of consumers
  - C. The cost of living
  - D. The number of close substitutions