MID YEAR 2010 ECO P1 SNR 1

1. $2 bn is invested in developing a country’s natural resources and infrastructure.

Which two factors of production does this refer to directly?

**A** capital and labour

**B** capital and land

**C** enterprise and land

**D** labour and land

1. Nolwazi lived in a rural area in Botswana and made baskets to sell to the tourists. The local

government gave her a loan to buy a car to take the baskets to the city market.

Which factor of production increased?

**A** capital

**B** enterprise

**C** labour

**D** land

1. What, according to the definition of opportunity cost, is sacrificed when a decision is taken?

**A** an identical alternative

**B** any possible alternative

**C** the least valuable alternative

**D** the next best alternative

1. The table shows the value of output for some parts of an economy.

|  |  |
| --- | --- |
|  | $ billion |
| Fishing  Mining  Manufacturing  Financial services  Other services | 25.0  23.0  130.5  100.3  170.0 |

Which conclusion may be drawn from these statistics?

**A** The tertiary sector was the most valuable.

**B** The value of the primary sector was $ 25.0 billion.

**C** The value of the secondary sector was $ 153.5 billion.

**D** The value of the secondary sector was worth less than the value of the primary sector.

1. Economic growth in Russia and China used to be led by the public sector. Now it results more

from activities in the private sector. However, both sectors are important.

Which term describes the current system in Russia and China?

**A** market

**B** mixed

**C** planned

**D** subsistence

1. The table shows how employment in five industries changed in a country between 1995 and

2010.

|  |  |  |
| --- | --- | --- |
|  | 1995 (thousand) | 2010 (thousand) |
| Banking and finance  Distribution and catering  Extraction of minerals  Manufacturing  transport | 2336  4678  2278  4102  2550 | 2881  5323  1794  3128  2304 |

According to the table, which type of employment has increased?

**A** primary

**B** secondary

**C** tertiary

**D** total

1. Which of the following is an advantage of the market economic system?

**A** It aims for equality of income.

**B** It ensures the provision of defence and law and order.

**C** It gives an incentive to produce.

**D** It reduces pollution and congestion.

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

|  |  |
| --- | --- |
| Food units | Clothing units |
| 0  100  200  300  400 | 500  400  250  50  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

1. An economy is producing at X.



What is the opportunity cost of choosing to produce at Y instead of X?

**A** 25 machines

**B** 50 units of food

**C** 75 machines

**D** 150 units of food

1. A free market economy is more likely than a planned economy to encourage development

because

**A** equality of income is encouraged.

**B** factors of production would be employed efficiently.

**C** government intervention uses taxes and subsidies.

**D** social costs are taken into consideration.

1. Who is definitely employed in the primary sector?

**A** a person in a firm producing goods for other firms to use

**B** a person in a firm engaged in agricultural production

**C** a person in an organisation which first deals with any imports into the country

**D** a person in the head office of a company

1. A hospital cannot treat all the people that need medical care.

This is an example of

**A** excess supply.

**B** limited wants.

**C** scarcity.

**D** unlimited resources.

1. The table shows the costs incurred by a firm producing computers.

|  |  |
| --- | --- |
| Output (000s) | Total costs ($000) |
| 0  1  2  3 | 20  1200  1350  1450 |

What are the fixed costs if 3000 computers are produced?

**A** $20 000 **B** $1 430 000 **C** $1 450 000 **D** $4 020 000

1. The table shows a firm's total revenue and total cost.

|  |  |  |
| --- | --- | --- |
| Output (units) | Total revenue ($) | Total cost ($) |
| 10  20  30  40 | 20  25  30  35 | 14  17  21  27 |

What level of output gives maximum profit?

**A** 10 units **B** 20 units **C** 30 units **D** 40 units

1. What is a feature of economies of scale but not diseconomies of scale?

**A** They are caused by management problems.

**B** They operate in the short run.

**C** They lead to falling average costs.

**D** They result in rising average revenue.

1. The retail store Woolworth’s has expanded the range of products it sells to include sweets, toys

and compact discs.

What term describes this change?

**A** diversification

**B** integration

**C** merger

**D** specialization

1. Which is an external economy of scale?

**A** buying machines from other companies

**B** carrying out research with other companies

**C** lending money to other companies

**D** selling output to other companies

1. What is not included in a person’s stock of wealth?

**A** a gold watch

**B** annual income

**C** an oil painting

**D** company shares

1. Cadbury Schweppes, the confectionery business, is reported to want to reduce the number of its

offices in an attempt to decrease its general and administrative costs.

Which type of cost does Cadbury Schweppes hope to decrease?

**A** average variable cost

**B** marginal cost

**C** total fixed cost

**D** total variable cost

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



Which distance represents the firm’s fixed costs?

**A** PQ **B** PS **C** QR **D** QS