AS Level

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PAPER-1 (MCQ's)

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Preface

This book provides a thorough exercise of paper 1 for students taking G.C.E. AS & A-Level Economics. MCQs from past examinations are sorted into relevant chapters which will enable students to practice their understanding systematically. A key to questions is added at the end of each chapter.

To practice complete papers, yearly papers are also being added to the end of book with their key in third edition.

I am deeply indebted to all of them for their help, suggestions and appreciation.

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Unit-1   Basic Economic Ideas

1.   In principle, which of the following is an advantage of a planned economy?

     A   Decisions are taken on the basis of social costs and social benefits.
     B   The government always balances the budget.
     C   The pattern of production reflects the preferences of consumers.
     D   There is perfect substitutability between capital and labour.

                             June 2002/Q4, June 1993, 1985

2.   In a centrally planned economy, which of the following would be most likely to explain the failure of particular industries to achieve their output targets'?

     A   a change in consumer taste.
     B   an increase in the saving ratio.
     C   a deficiency in aggregate effective demand.
     D   miscalculation of the interdependence between industries.

                             June 1990

3.   Which of the following statement must be true if the use of resources involves an opportunity cost?
     A   Not all wants can be satisfied.
     B   Firms are below optimum size.
     C   Opportunity cost ratios are constant.
     D   Marginal costs fall as production increases.
     E   The economy is operating below its production possibility frontier.

                             Nov 1990

4.   Which of the following is the distinguishing feature of a mixed economy?

     A   There is a well-balance industrial structure.
     B   Immigrant labour is employed in some industries.
     C   There are primarily, secondary and tertiary sectors.
     D   Part of the economy is state-owned and controlled.

                             Nov 1990

5.   The diagram shows the production possibility curve for an economy producing goods X and Y.
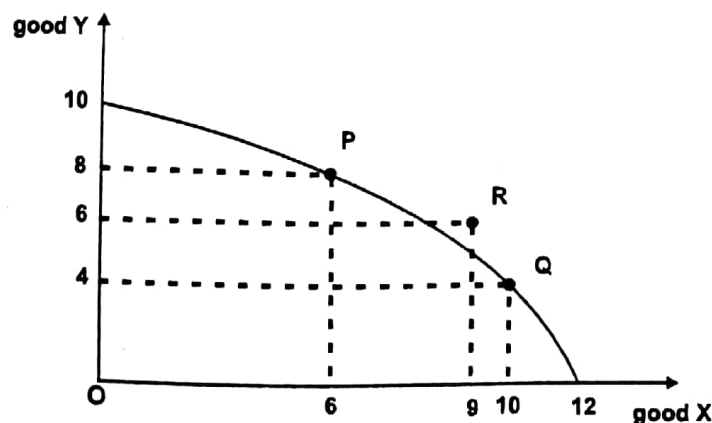
Given this production possibility curve, one way in which consumption at point R could be attained would be to produce.

A   at point P, export 2Y and import 3X.
B   at point P, export 3X and import 2Y.
C   at point Q, export 2Y and import 1X.
D   at point Q, export 2X and import 2Y.

6. Which of the following is a normative statement?   **Nov 1990**

A   Increased government spending cannot reduce unemployment.
B   The imposition of import tariffs will reduce unemployment.
C   A policy of controlling inflation which results in increased unemployment is undesirable.
D   The level of social security benefits is the primary factor influencing the level of unemployment.

7. The diagram shows a production possibility frontier.   **June 19990**

Which of the following is implied when a production possibility frontier has this shape?

A   There must be full employment.
B   Factors of production are imperfect substitutes.
C   There are no benefits from specialization and trade..
D   The marginal opportunity cost of one good in terms of the other is constant.

June 1991

8. The central problem of all economic societies is how to.

A   achieve an equitable distribution of income and wealth.
B   ensure that resources are fully utilized.
C   allocate resources between competing uses.
D   resolve the conflict between equity and efficiency.

Nov 1991

9. The only available information in relation to a particular country which can produce two commodities, X a consumer good and Y a capital good, is its production possibility curve. Which of the following can be deduced from this information?

A   the growth rate of the economy
B   the amounts of X and Y it will produce
C   the extent to which resources are being fully utilized
D   the opportunity cost of X in terms of Y at any given level of output

Nov 1991

10.   The existence of scarcity implies that.

        A   there are no free goods.
        B   there is no net saving.
        C   the supplies of factors of production cannot be increased.
        D   households, firms and governments must make choices.

                                                                          June 1992

11.   In a market economy ,the problem of scarcity would have been overcome if

        A   all prices were zero.
        B   all resources were fully employed.
        C   the rate of interest is zero.
        D   there were a permanent surplus on the balance of payments.

                                                                          June 1993

12.   A country produces two goods X and Y. Its production possibility frontier is given by the equation.

$$Y = 100 - 20x$$

        What is the opportunity cost of producing one more unit of 'X'?

        A   20X   B $\frac{1}{20}X$ C   20Y   D $\frac{1}{20}Y$

                                                                          Nov 1993

13.   What is opportunity cost of constructing a rail tunnel between Britain and France?

        A   the benefits obtained by building a road link to the tunnel.
        B   the loss of business on ferries linking Britain and France.
        C   the social costs imposed on residents in areas adjacent to the tunnel.
        D   the value of goods and services produced had the tunnel not been constructed.

                                                                          June 1994

14.   In an economy which is initially at full employment, what is the opportunity cost of an increase in investment?

        A   the emergence of technological unemployment.
        B   the inflation arising from the operation to the multiplier.
        C   the interest charges on the funds to finance the investment.
        D   the present consumption forgone.

   **June 1982, Nov 1994**

15.   An economy produces two goods X and Y.
        What name is given to the curve which shows for each level of output of 'X' the maximum amount of 'Y' that can be produced?

        A   a budget line
        B   an indifference curve
        C   an isoquant
        D   a production possibility boundary

                                                                          Nov 1994

16. The diagram shows the production possibility frontier for an economy capable of producing only two goods, M and N.
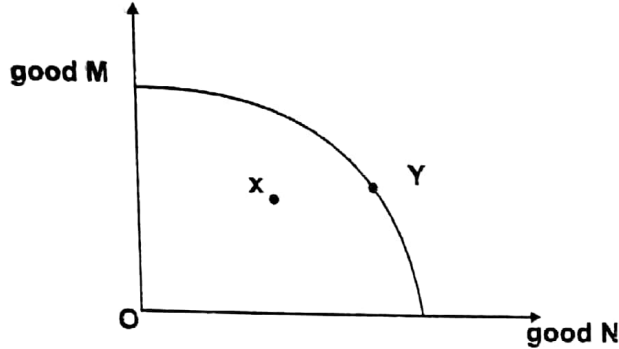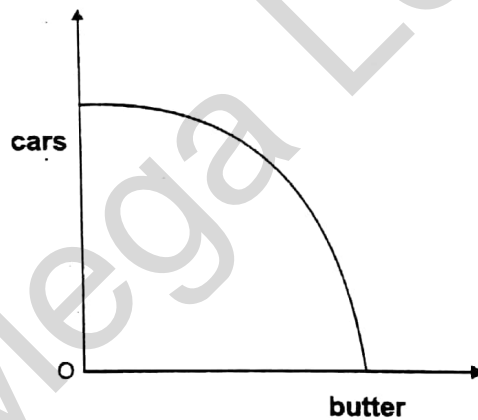

What would explain a change in production from combination X to combination Y?

A   a fall in the opportunity cost of good N.
B   an advance in technology.
C   an increased desire for good N.
D   employment of previously unemployed resources.

Nov 1994

17. An economy produces two goods, cars and butter. The diagram shows the economy's production possibility frontier.

Why is the frontier curved outwards?

A   Some resources are better suited to the production of cars and others to butter.
B   There are economies of scale in the production of both goods.
C   The resources available to the economy are in fixed supply.
D   Any increase in the resources devoted to car production requires a reduction in the resources devoted to butter.

June199

18. A student works for a book shop for several days during the holidays. She is offered the alternative of being paid £50 in cash or choosing £80 of books from the shelves.
What is the opportunity cost to the student of choosing the books?

A   £30
B   £50
C   £80
D   the alternative use to which her time could have been put.
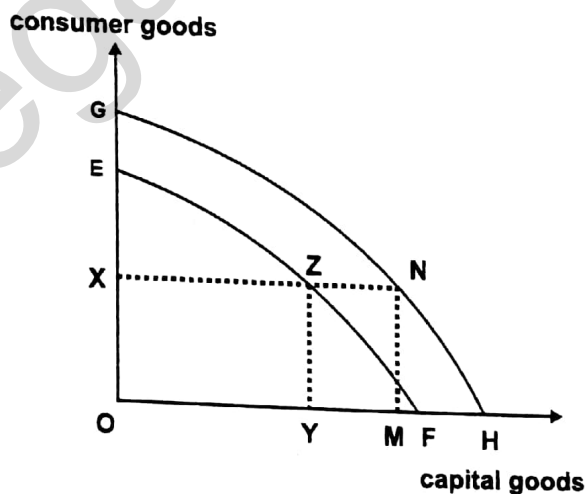
June1996

19.   The diagram shows a country's production possibility curve.
        Capital consumption amounts to OK.
        Which point represents a combination of goods which is currently attainable but would be likely to
        result in an inward shift in the production possibility curve in the future?
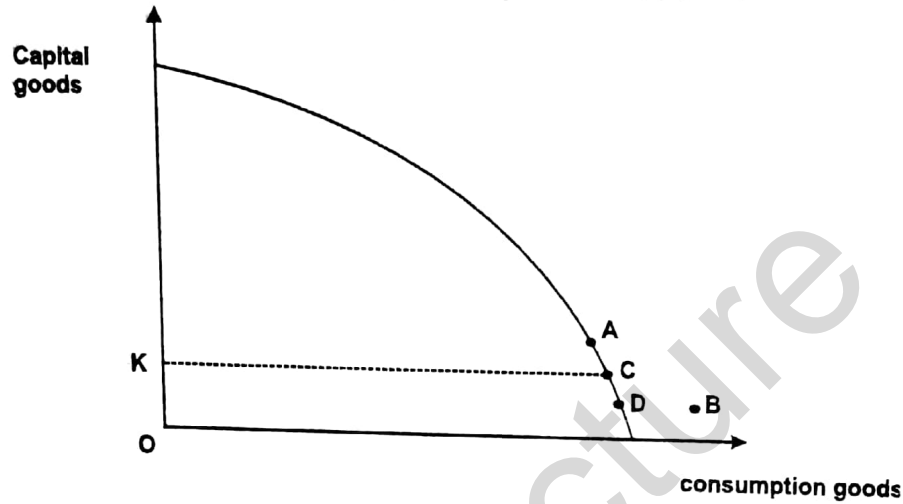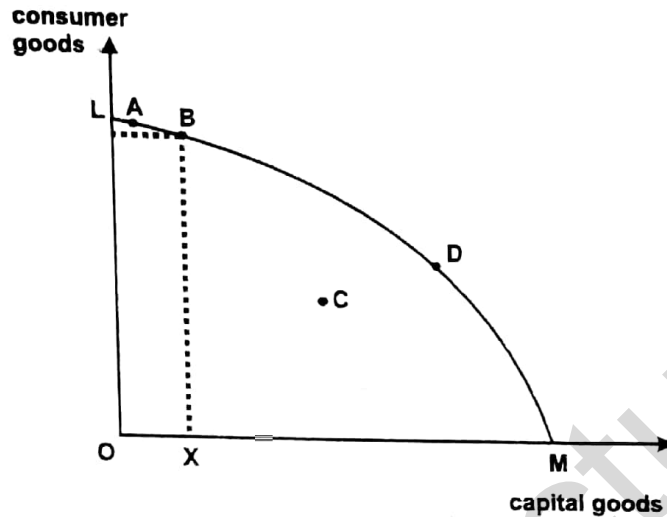

Nov 1996

20.   The diagram shows two production possibility curves (EF and GH), before and after technological
        progress has taken place.

        After technological progress has taken place, what is the opportunity cost in capital goods of
        producing OX consumer goods?

A   MH
B   OH
C   OM
D   YF

Jun 2009/Q2, June 2008/Q2, Nov 2004/Q2, June 1997

21. The curve LM is an economy's production possibility curve.
If capital consumption amounts OX, which combination of goods is likely to lead to a reduction in the production possibilities open to the economy in the future.

Nov 1997

22. A student decides to stay in her room to do some work rather than going to the cinema.
What is the opportunity cost of her decision?

     A   the enjoyment she would have derived from a visit to the cinema.
     B   the improvement in the mark she obtains for her assignment.
     C   the increase in her electricity bill.
     D   the money she would have spent in the cinema.

Nov 1997

**23.** Which condition defines economic efficiency in production?

     A   All factors of production are fully employed.
     B   All firms are producing at their profit maximizing levels of output.
     C   Output of any one good cannot be increased without reducing the output of some other good.
     D   There are no further opportunities for substituting capital for labour.

Nov 1998

24.   The diagram shows the production possibility curve of an economy which uses two factor inputs, capital and labour, to produce two goods, X and Y.
The amount of capital allocated to both X and Y are fixed.
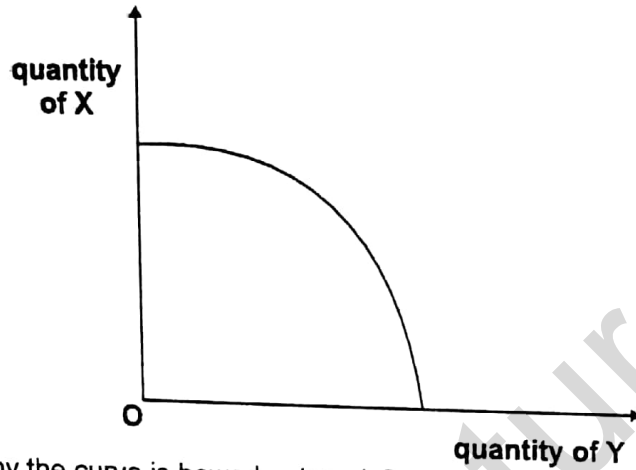
What explains why the curve is bowed outwards?

A   decreasing opportunity costs.
B   diminishing returns.
C   diseconomies of scale.
D   economies of scale.

Nov 1998

25.   The diagram shows the production possibilities of an economy that has a rate of capital consumption of OW.
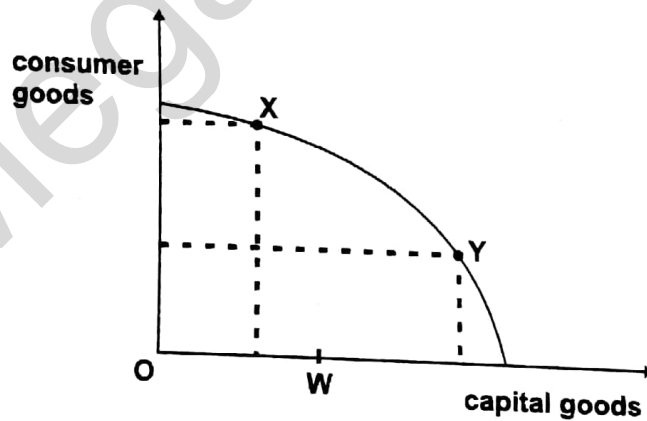
What will be the effect on current and future living standards of a movement from X to Y on the curve?

	Current living standards	Future living standards
A	Decrease	Decrease
B	Decrease	Increase
C	Increase	Decrease
D	Increase	Increase

June 1999

26. The winner of the TV quiz show is offered a choice of either £1000 or the contents of one or other of two sealed boxes. She is told that one box contains £2500 and that the other box is empty. What is the opportunity cost to the individual of opting for the £1000 prize?

A   a 50% chance of winning £2500
B   a 50% chance of winning £1500
C   a 50% chance of losing £1500
D   a 50% chance of losing £1000

June1999

27. The diagram shows an economy's production possibility curve. Why does the curve slope downwards?
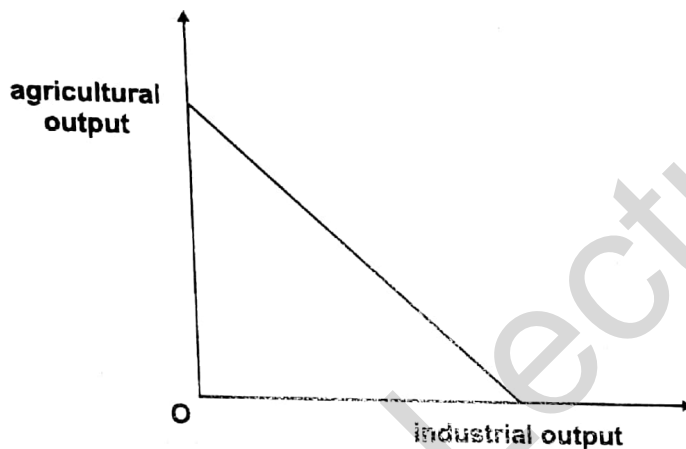
A   Agriculture and industry are subject to diminishing returns to scale.
B   Agriculture and industry are subject to increasing returns to scale.
C   consumers are indifferent between industrial and agricultural output.
D   Resources available are limited.

Nov 1999

28. The diagram shows an economy's production possibility frontier.
     What does the slope of the curve measure?
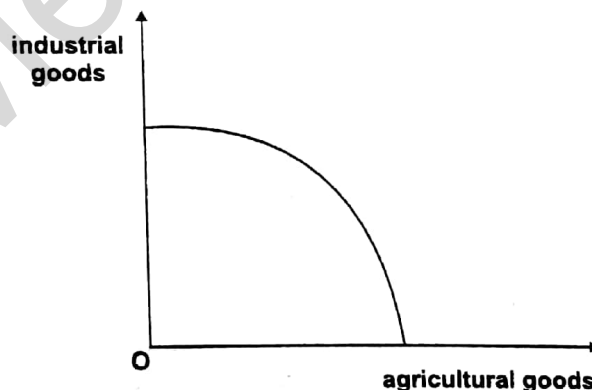
A   the amount of industrial goods that society would be willing to give up to obtain a additional agricultural goods.
B   the maximum attainable combination of agricultural and industrial goods.
C   the maximum quantity of industrial goods that that can be produced for any given level of agricultural output.
D   the opportunity cost in terms of industrial goods of producing an additional unit of agricultural goods.

June 2000

29. What can be deduced from a production possibility curve for a country that can produce two goods X, a consumer good and Y, a capital good X?

A   the amount of X it will produce.
B   the extent to which resources are being fully utilized.
C   the opportunity cost of X in terms of Y.
D   the country's preference for present as compared to future consumption.

Nov 2000

30. Why do production possibility curves slope downwards from left to right?

A   because of the existence of diminishing returns.
B   because of the existence of increasing returns to scale.
C   because resources are finite.
D   because resources are not homogenous.

Nov 2000

31. Which statement about the consequences of a more equal distribution of income is normative?

A   It would increase the rate of economic growth.
B   It would raise the average propensity to consume.
C   It would be inflationary.
D   It would improve national welfare.

Nov 1980, Nov 1995, June 2001

32. What is the opportunity cost to society of employing workers who would otherwise have no alternative employment?

A   the wages they are paid.
B   the social security payments they would otherwise receive.
C   the value of the goods and services they produce.
D   zero.

June 2002/Q2

33. The diagram shows an economy's production possibility curve.
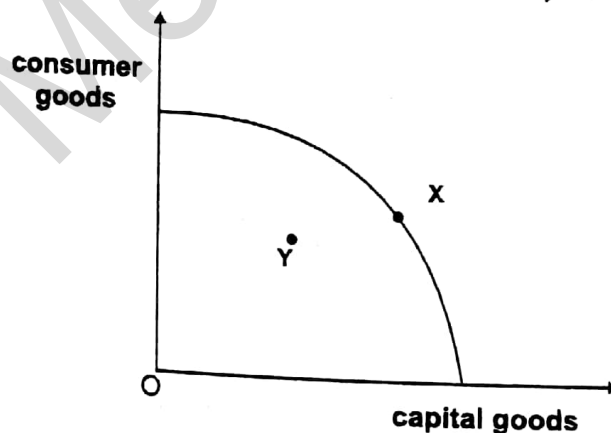
What will cause a movement from point X on the production possibility curve to point Y within the curve?

A   an increase in unemployment.
B   a fall in the size of the labour force.
C   a reduction in the availability of land for industrial production.
D   an improvement in technology in consumer goods production.

June 2002/Q1

34.   The diagram below shows the production possibility curve for an economy.

From the information provided in the graph, which one of the following statement about the production of goods X and Y must be true?

A   The capital to labour ratios are different.
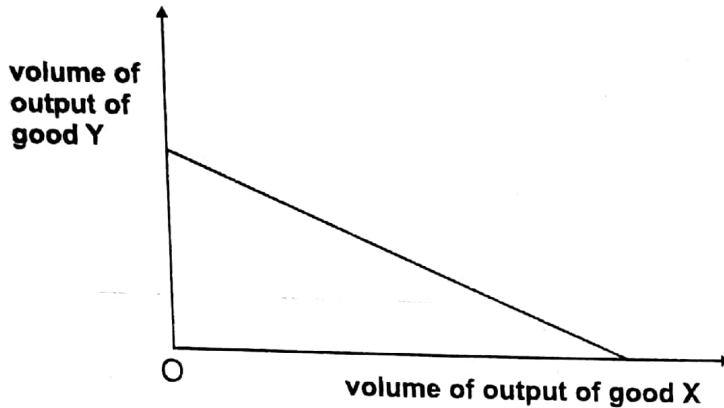B   The marginal cost of good X in terms of good Y is constant.
C   Utility is maximized by specializing completely in the production of good Y.
D   The factors of production are more efficiently employed in the production of good X than in the production of good Y.

35.   A student decides to stay in her room to do some work rather than going to the cinema.
What is the opportunity cost of her decision?

A   the enjoyment she would have derived from a visit to the cinema.
B   the improvement in the mark she obtains for her assignment.
C   the increase in her electricity bill.
D   the money she would have spent in the cinema.

<div align="right">Nov 1997</div>

36.   The steel required for the construction of a new car-assembly plant in a fully employed economy is obtained by increasing the output of the domestic steel industry.
What is the opportunity cost of producing the steel?

A   the alternative benefits forgone by diverting additional resources to steel manufacture.
B   the alternative benefits forgone by increasing the capacity of the car industry.
C   the alternative benefits that would have been obtained by putting the steel to other uses.
D   zero, since there is no reduction in the steel supplied to other steel users.

<div align="right">Nov 2003/Q1</div>

37.   What is the opportunity cost to a fully employed economy of increasing capital investment?

A   a fall in present consumption.
B   a fall in present income.
C   a rise in the saving.
D   a rise in the rate of interest.

<div align="right">Nov 1992, Nov 1999</div>

38.   In a market economy, what is the bases for determining the allocation of factors of production?

A   the market share of companies.
B   the needs of the country.
C   the pattern of consumers' spending.
D   the wealth of entrepreneurs.

<div align="right">Nov 2004/Q1</div>

39. What is the main economic problem facing all societies?

   A   how to reduce unemployment.
   B   how to reduce poverty.
   C   how to allocate scarce resources.
   D   how to control inflation.

40. What is an essential feature of a pure market economy?

   A   Buyers and sellers have perfect knowledge.
   B   External costs are taxed.
   C   Prices respond to the demands of consumers.
   D   The government provides public goods.

   Jun 2005/Q1, Dec 1986, Dec 1982

41. A consumer allocates his expenditure over time.

   What would cause an increase in the opportunity cost of current consumption to the consumer?

   A   a decreases in his current income.
   B   a decrease in interest rate.
   C   an increase in his current income.
   D   an increase in interest rate.

   Nov 1996, June 2006/Q1

42. Why are there no markets for free goods?

   A   Consumers' valuation of free goods is the same at all levels of demand.
   B   Free goods are non-excludable.
   C   The demand for free goods is infinite.
   D   The supply of free goods is sufficient to satisfy all demand at zero price.

43. The diagram shows a production possibility curve for an economy which produces only two goods, X and Y.
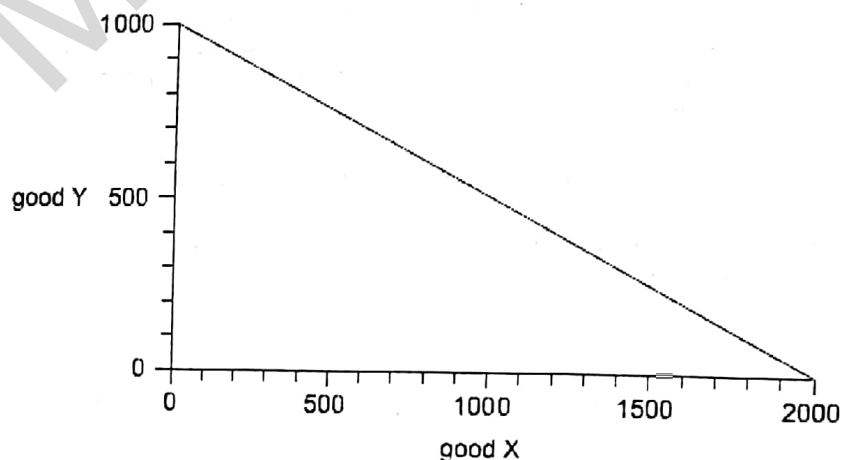
The economy produces 400 of good Y and produces on its production possibility curve. Which quantity of good X is given up?

   A   600   B   800   C   1200   D   1600

   June 2004/Q2

44. The diagram shows shifts in an economy's production possibility curve.
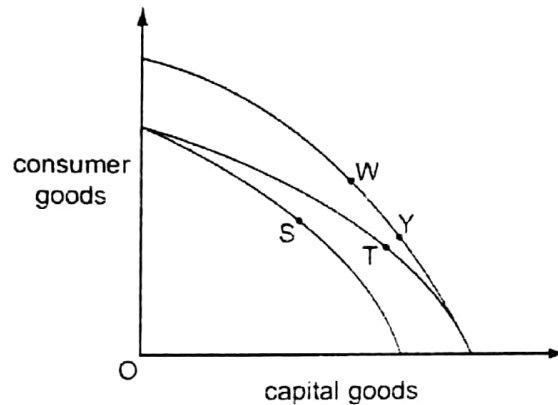
Which change could have come about as a result of an improvement in technology?

A   S to Y
B   T to S
C   W to T
D   W to Y

Nov 2003/Q2

45. What is the opportunity cost to unemployed workers who become employed?

A   the leisure they would otherwise have had.
B   the value of the goods and services they produce.
C   the wage they are paid.
D   zero.

June 2005/Q2, Nov 2011/P11/Q3

46. The diagram shows a country's production possibility curve.
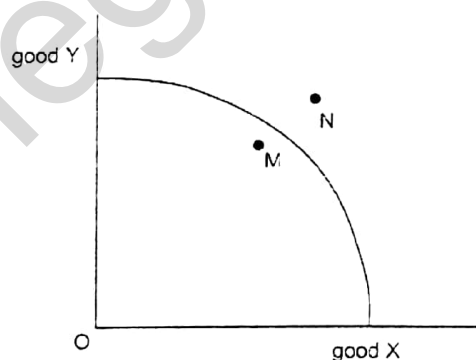
What could allow the economy to move from M to N?

A   an increase in consumer spending
B   an increase in demand for exports
C   an increase in government spending on pensions
D   an increase in investment

Nov 2005/Q2

47.   In the diagram the original production possibility curve is LM.

What might cause the curve to shift to NP?

A   technological progress
B   unemployment of resources
C   the depletion of natural resources
D   a reallocation of resources

                                                                        June 2003/Q2, June 2006/Q2

48.   What is present in a mixed economy but not in a planned economy?

A   capital goods
B   consumer surplus
C   government borrowing
D   private production

                                                                                        Nov 2006/Q2

49.   Planned economies had a history of failing to produce enough consumer goods.
        Which method of allocating these goods in short supply involved a market system approach?
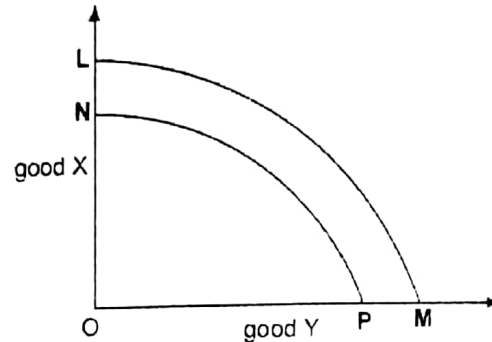
A   equal rationing to people according to their family size
B   official sale to people according to their ability to queue
C   selective distribution to people according to their occupation
D   unofficial sale to people according to their willingness to pay

                                                                                        June 2007/Q2

50.   What would prevent a firm gaining the maximum benefit from the division of labour?

A   a high interest rate
B   a small market
C   high production costs
D   low productivity

                                                                                        June 2003/Q3

51.   What is meant by the ceteris paribus assumption?

A   an assumption that is not supported by the facts
B   an assumption that consumers act rationally
C   an assumption that two factors are in equilibrium
D   an assumption that other factors are held constant

                                                                                        Nov 2003/Q3

52. Which group may be disadvantaged by the introduction of division of labour?

    A   consumers who prefer standardised goods
    B   companies where the production process has many sub-divisions
    C   the government, if the product is taxed
    D   workers who prefer a variety of tasks

   **June 2004/Q3**

53. What is meant by 'ceteris paribus' in economic analysis?

    A   A normative approach is being adopted.
    B   The effect of a change of one variable is being considered in isolation.
    C   One good has to be sacrificed to obtain more of another.
    D   One factor of production is fixed.

                                                                        Nov 2004/Q3

54. 3 The diagram illustrates the production possibility curves for an economy in Year 1 (X_1, Y_1) and Year 2 (X_2, Y_2).

    What can be deduced from the diagram?
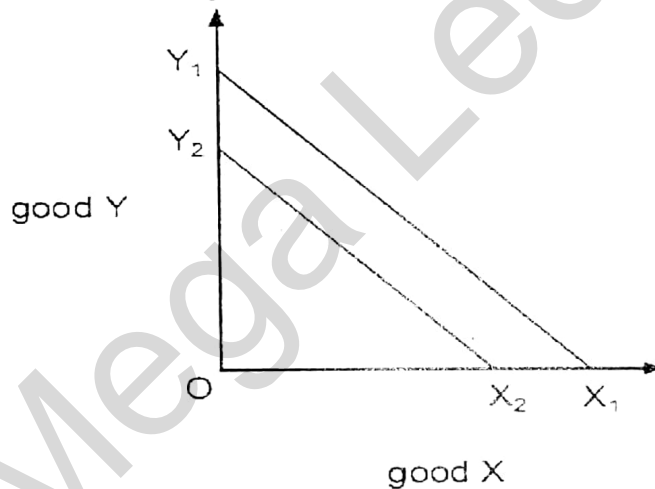
    A   The cost of production was lower in Year 2 than in Year 1.
    B   The full employment level of output was lower in Year 2 than in Year 1.
    C   The opportunity cost was lower in Year 2 than in Year 1.
    D   Unemployment rose between Year 1 and Year 2.

                                                    June 2005/Q3, Nov 2009/12/Q1

55. A government proposes to introduce a road congestion charge which would require private motorists to pay a toll for road use.

    Which statement relating to the proposal is normative?

    A   Bus passengers will benefit at the expense of motorists.
    B   Motorists with higher incomes will be prepared to pay the charge in return for reduced journey times.
    C   Motorists with lower incomes will not be able to afford to use the roads.
    D   The proposal will be unfair to motorists who have no alternative means of transport.

                                                                        June 2006/Q3

56. What is an example of the factor of production capital?

A   a bank account held by a small firm to be used for future purchases.
B   a forest of hardwood trees ideal for furniture making.
C   the market value of a company's shares.
D   word processing software used by a writer to complete her new book.

Nov 2005/Q3

57. What is necessarily a function of enterprise rather than management?

A   accepting the risks involved in production
B   deciding how much labour should be employed
C   organising the other factors of production
D   promoting the sale of the product

June 2007/Q3

58. What is the outcome for consumers and workers as a result of increased division of labour?

	consumers	workers
A	less choice of goods	wider range of skills
B	fewer mass-produced goods	wider variety of tasks
C	lower prices of goods	increased productivity
D	lower quality of goods	increased independence

Nov 2003/Q4

59. What is an advantage of using the market mechanism to allocate resources between alternative uses?

A   It ensures that resources will be allocated efficiently.
B   It ensures that resources are allocated in accordance with need.
C   It minimises the time required to make decisions.
D   It gives all consumers an equal voice in deciding how resources should be allocated.

June 2004/Q4

60. Doctors should be paid highly because they have to undertake a long period of training.

What can be concluded about this statement?

A   It is a normative statement because high pay does not always result from lengthy training.
B   It is a normative statement because it expresses an opinion.
C   It is a positive statement because doctors do have to train for a long period.
D   It is a positive statement because greater skill results in higher pay.

Nov 2004/Q4

61. Which is a normative economic statement?

A   Money is the least liquid form of wealth.
B   Some firms are subsidised by the government.
C   Some workers earn more than others.
D   Taxes are the best way to discourage smoking.

June 2005/Q4

62.   The workers in a factory currently earn $240 for a 40 hour week. The management offers them a
        choice between either a straight 10 percent wage increase or an increase in the weekly wage of
        $260 coupled with a reduction in hours from 40 to 39 hours. What is the opportunity cost of each
        worker of opting for the 39 hours week?

A $4   B $6   C $20   D $24
                                                                                    Nov 2005/Q4

63.   A farmer can produce both beef and lamb. The opportunity cost of a kilo of beef is three kilos of
        lamb. The price of a kilo of beef is twice that of lamb.
        What should he do if his aim is to maximise his revenue?

A   concentrate on beef production
B   concentrate on lamb production
C   produce beef and lamb in the ratio 3:2
D   produce twice as much beef as lamb
                                                                                    June 2007/Q4

64.   Some people are shipwrecked on a tropical island and allocate their time between gathering
        coconuts and fishing. Each individual is equally productive in collecting coconuts or catching fish.

        Which diagram represents the production possibility curve of this community?
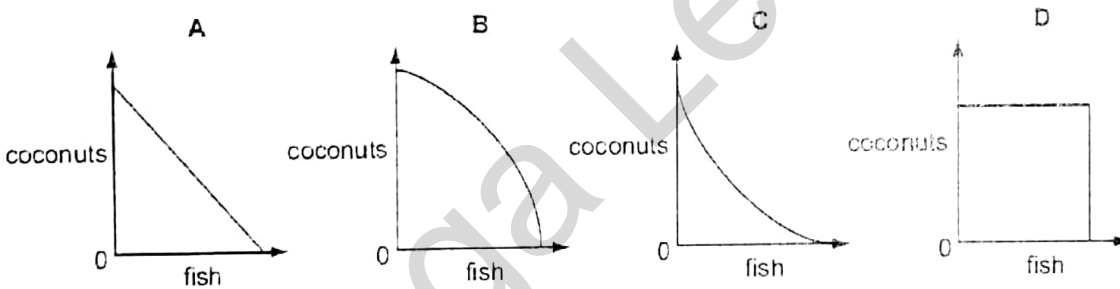
                                                                                    Nov 2007/Q1

65.   A country's production possibility curve moves from XX to YY as shown in the diagram.
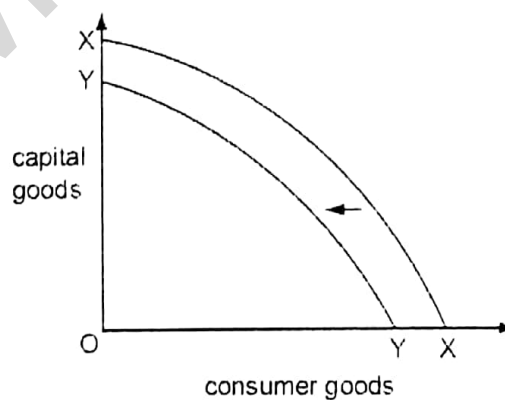
        What could have caused this movement?

A   a rise in the retirement age
B   an increase in investment
C   an increase in net emigration
D   a rise in technological progress
                                                                                    June 2008/Q1

66. Why is scarcity the central feature of the economic problem?

A People's needs are limited.
B Resources have alternative uses.
C Economic resources are finite.
D Consumers have limited choices.

Nov 2008/Q1

67. Tom has set up his own business, which is based in premises owned by Fanda. All machinery is hired from an equipment company. Both Tom and Fanda are employed in the business.

What describes the earnings of Tom and Fanda?

	Tom	Fanda
A	rent and profit	interest and profit
B	wages and profit	wages and rent
C	interest and rent	rent and profit
D	wages and interest	wages and interest

Nov 2009/P12/Q30

68. Which is a normative statement?

A Inflation can be reduced only by increasing the level of unemployment.
B An increase in the rate of inflation will lead inevitably to an increase in unemployment.
C Unemployment is more harmful than inflation.
D If unemployment is reduced below a certain level, this will lead to higher inflation.

June 2002/Q3, Nov 2007/Q2 , June 2011/P12/Q3

69. A Southern African government was concerned about the market influence of a large producer and was keen to take control of the company.

What might be the possible result of this?

A an increase in the role of the market
B an increase in public ownership
C an increase in the role of the consumer
D an increase in the amount of competition

June 2008/Q2

70.   The production possibility curve for an economy producing capital and consumer goods is represented by the line PQ.
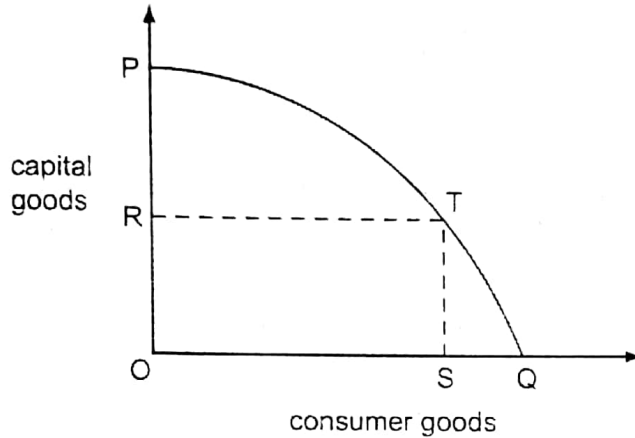
What is the opportunity cost of producing OS of consumer goods?

A   OR of capital goods
B   PR of capital goods
C   SQ of consumer goods
D   SQ of consumer goods + PR of capital goods

                                                                                Nov 2008/Q2

71.   In which situation would an economist assume ceteris paribus?

A   when calculating the retail prices index
B   when deciding what to include in a cost benefit analysis
C   when making normative statements to advise the government
D   when studying the effect of a price rise on demand

                                                                                Nov 2007/Q3

72.   Which of the following is a normative statement?

A   If firms spend more on advertising, sales volume may not rise.
B   If firms raise prices, profits will rise.
C   The government should reduce taxes on spending so that economic welfare will rise.
D   Export volumes will rise if the government lowers the exchange rate.

                                                                                June 2008/Q3

73.   In which types of economy might a government control prices?

A   market and mixed only
B   market and planned only
C   market, mixed and planned
D   mixed and planned only

                                                                                Nov 2008/Q3

74.   What must be true of a positive statement?

A   It is one that can be shown to be correct or incorrect.
B   It is one that deals with positive changes in economic well being.
C   It is one that is true by definition.
D   It is one with which everyone is in agreement.

                                                                                June 2009/P1/Q3

Unit 1

23

75. What does the concept of ceteris paribus allow economists to do?

A   calculate the monetary value of consumer surplus
B   distinguish between economic and free goods
C   distinguish between normative and positive statements
D   isolate the effect of one variable on another variable

Nov 2009/P12/Q2

76. In the 20th century the nature of a typical car assembly plant changed. Company mergers meant there were fewer firms, they operated on larger sites and they had more automated machinery and robots

How is this change most likely to have affected the relative employment of factors of production in the industry?

	increased relative use	decreased relative use
A	capital and enterprise	labour and land
B	enterprise and labour	land and capital
C	land and capital	enterprise and labour
D	labour and land	capital and enterprise

Nov 2007/Q4

77. Which action by an individual would not be considered an action of the factor of production labour?

A   leaving college to work on the land
B   moving from a labour-intensive industry to work in a capital-intensive industry
C   setting up a new business in information technology
D   undertaking a training course in computer skills

Nov 2008/Q4

78. In a command economy, what is the basis for determining the allocation of factors of production?

A   the pattern of consumers' spending
B   the perceived needs of the country
C   the revenue from taxes
D   the size of public sector companies

June 2010/P12/Q30

79. Which statement about trade unions is normative?

A   Since trade unions exist to safeguard the interests of their members, they deserve the legal protection of the state.
B   In countries where trade unions are strong, income distribution is more equal.
C   Uneven trade union membership has resulted in a widening of the wage gap between different industries.
D   In industries where trade unions are powerful, technical progress tends to be much slower.

June 2010/P12/Q2

80. A worker can make 10 hats or 5 pairs of shoes in a day. In the market three hats can be sold at the same price as two pairs of shoes.
The worker should make

A   4 hats and 3 pairs of shoes daily.
B   6 hats and 2 pairs of shoes daily.
C   hats only.
D   shoes only.

June 2010/P12/Q3

81. What is the central problem for an economy?

A   to achieve maximum growth in production
B   to allocate resources between alternative uses
C   to ensure all resources are fully exploited
D   to overcome inequalities in income distribution

Nov 2010/P12/Q1

82. What are most likely to be disadvantages found in a market economy?

A   economic growth and state-owned companies
B   merit goods and free competition
C   public goods and economic specialization
D   unemployment and external costs

Nov 2010/P12/Q2

83. The diagram shows the production possibility curve of an economy.
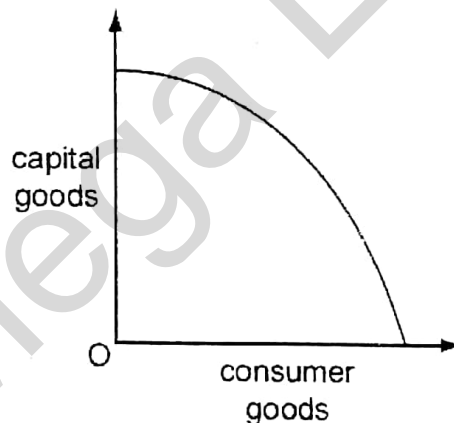
Which statement explains the shape of this curve?

A   More efficient workers are drawn away from the production of consumer goods.
B   Resources cannot be switched between producing capital and consumer goods.
C   The economy is more efficient at producing capital than consumer goods.
D   The opportunity cost of producing capital goods increases the more capital goods are made.

Nov 2010/P12/Q3

84   What distinguishes capital from other factors of production?

A   Capital exists only in capitalist market economies.
B   Capital results from the operation of the other factors.
C   The rewards earned by the owners of capital are uncertain.
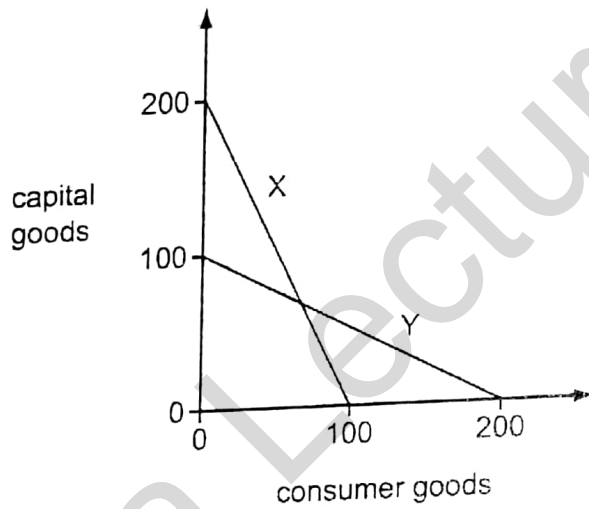D   Unlike labour or land, capital must be owned rather than hired or rented.

June 2011/P12/Q1

85.   What is likely to be greater in a planned economy than a market economy?

A   efficiency
B   flexibility
C   innovation
D   stability   June 2011/P12/Q2

86.   The diagram shows the production possibility curves of two economies, X and Y.

Which statement about the two economies is correct?

A   Both economies always have the identical opportunity costs.
B   Both economies have the same future growth prospects.
C   The opportunity costs are constant in both economies.
D   The two economies can never produce the same combination of products.
                                                    June 2011/P12/Q30

87.   An individual has an appointment with his bank manager.
He has a choice between travelling to the appointment by car, or leaving the car at home and travelling by bus and then by train. The costs of the journey are given below.

|	$
bus fare	2
train fare	3
car parking charge	4
petrol	2
car wear and tear costs	1

Given this information, what is the opportunity cost to the individual of travelling by car rather than by bus and train?

A $2   B $4   C $7   D $12
                                                    Nov 2011/P12/Q1

88.   The curve PP in the diagram is the production possibility curve for a country producing goods X and Y. The production of X is more labour intensive than the production of Y.
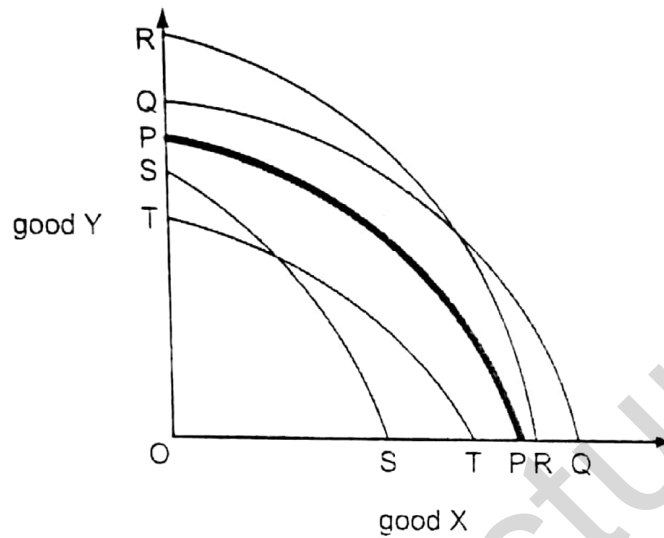
The working hours of the labour force are reduced by law.
Which curve could be the country's new production possibility curve?

A   TT   B   SS   C   QQ   D   RR

Nov 2011/P12/Q2

89.   In Economics, decisions are usually taken 'at the margin'.

What does this mean?

A   They are concerned with actions that occur in free market not planned economies.
B   They are concerned with issues on the boundary between macroeconomics and microeconomics.
C   They are concerned with the choice between normative and positive actions.
D   They are concerned with the effect of adding a further action to the current level of activity.

Nov 2011/P12/Q3

90.   Which factor of production and example are correctly linked?

|	factor of production	example
A	capital	$10 000 in a savings account
B	enterprise	a company accountant
C	labour	a robot
D	land	the flow of a river

Nov 2011/P12/Q4

91.   What is an example of the factor of production capital?

A   a bank account held by a small firm to be used for future purchases
B   a forest of hardwood trees ideal for furniture making
C   the market value of a company's shares
D   word processing software used by a writer to complete her new book

Nov 2011/P11/Q2

92. The diagram shows a production possibility curve for an economy.
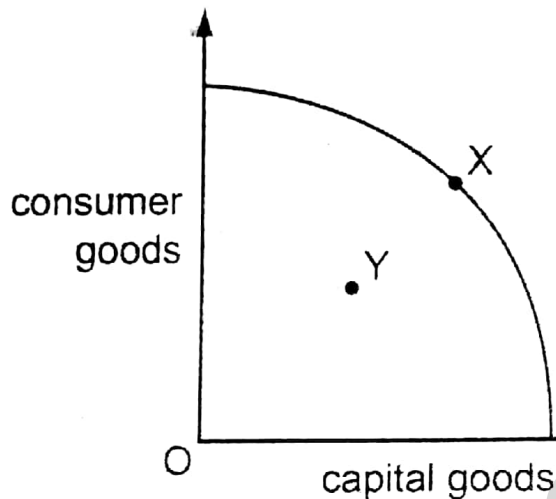
Assuming that the production possibility curve remains unchanged, what is the most likely reason for the movement from point X to point Y?

A   a civil war causing a widespread loss of resources
B   a permanent fall in productivity in both capital and consumer goods
C   a rise in unemployment due to a recession
D   the exhaustion of a natural resource

Nov 2011/P11/Q1

93. Which statement is normative?

A   As a general rule, people are happier in more equal societies.
B   Despite a large increase in income per head, people are no happier today than they were 50 years ago.
C   Happiness depends not on the absolute level of a person's income but on his relative income.
D   The promotion of happiness is a more important goal than the maximisation of production.

Nov 2011/P11/Q4

Key   **Unit 1**   **Basic Economic Ideas**

Q	Ans.	Q	Ans.	Q	Ans.	Q	Ans.	Q.	Ans.
1	A	20	A	39	C	58	C	77	C
2	D	21	A	40	C	59	C	78	B
3	A	22	A	41	D	60	B	79	A
4	D	23	C	42	D	61	D	80	C
5	A	24	B	43	B	62	A	81	B
6	C	25	B	44	A	63	B	82	D
7	D	26	A	45	A	64	A	83	D
8	C	27	D	46	D	65	C	84	B
9	D	28	D	47	C	66	C	85	D
10	D	29	C	48	D	67	B	86	C
11	A	30	C	49	D	68	C	87	A
12	C	31	D	50	B	69	B	88	B
13	D	32	D	51	D	70	B	89	D
14	D	33	A	52	D	71	D	90	D
15	D	34	B	53	B	72	C	91	D
16	D	35	A	54	B	73	D	92	C
17	A	36	A	55	D	74	A	93	D
18	B	37	A	56	D	75	D		
19	D	38	C	57	A	76	C		