

# 1. THE BASIC ECONOMIC PROBLEM & THE 3 ECONOMIC QUESTIONS

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1) Which combination of terms gives the general definition of the economic problem?

- A** bigger families, less food, starvation
- B** falling supply, rising demand, shortage
- C** higher population, fewer jobs, unemployment
- D** limited resources, unlimited wants, scarcity

Q1/J/V17

- 2) What is the best example of the existence of the economic problem?
- A A government provides accommodation for all those who are homeless.
  - B A police force has a lengthening list of unsolved crimes.
  - C Janitha hands her homework in at the last permitted deadline.
  - D Musa completes his journey without putting petrol in his car.
- Q3/J/16
- 3) The government of a prosperous country announced that it would offer free food to its citizens for a year. What would be the effect of this measure?
- A Agricultural resources would become unlimited.
  - B Human wants would become finite.
  - C More resources would be devoted to food production.
  - D The basic economic problem would be solved.
- Q2/N/15
- 4) 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
- Q1/J/15
- 5) Economics textbooks often start by identifying the existence of the basic economic problem. What is it that makes this problem 'basic'?
- A It affects all economies and individuals.
  - B It is the most urgent target of government economic policy.
  - C It only affects low-income developing economies.
  - D It relates to the production of raw materials in the primary sector.
- Q1/N/14
- 6) What is the cause of economic scarcity?
- A limited wants with limited resources
  - B limited wants with unlimited resources
  - C unlimited wants with limited resources
  - D unlimited wants with unlimited resources
- Q1/J/14
- 7) Why will the economic problem never be solved?
- A People will always want more products than can be produced.
  - B People will never agree on what is the best economic system.
  - C There will always be an uneven distribution of income.
  - D There will always be some people unemployed.
- Q1/J/13

- 8) A country with a low income per head discovers large quantities of oil, which eventually makes everybody better off.

Why is the basic economic problem of scarcity not solved by this discovery?

- A People may not get jobs in the oil industry.
- B People's wants are always changing and increasing.
- C Prices of oil can fluctuate on the world market.
- D Production of oil can damage the environment.

Q2/N/12

- 9) Economics is primarily concerned with

- A allocating scarce resources for unlimited wants.
- B controlling unemployment and inflation.
- C determining the level of government expenditure.
- D studying how new wants and economic resources can be produced.

Q1/J/12

- 10) Every business organisation faces the problem of satisfying wants.

What is the reason why wants are not fully satisfied?

- A An economy can only produce a limited amount of goods and services.
- B Governments cannot print enough money to pay for goods and services.
- C There is an over-production of goods and services by business organisations.
- D Workers are too skilled for the requirements of the jobs available.

Q3/N/11

- 11) What is meant by the economic problem?

- A how to achieve efficiency with the existence of fixed resources and limited wants
- B how to allocate resources between public and private sectors
- C how to balance unlimited wants against finite resources
- D how to decide which methods to use to exploit all resources

Q5/J/11

- 12) What makes choice an important element in the basic economic problem?

- A Increased demand leads to higher market prices.
- B Limited resources have many alternative uses.
- C Reaching a market equilibrium may take a long time.
- D Scarce economic resources are distributed equally.

Q3/N/10

13) Which terms summarise the nature of the 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

Q2/J/10

14) Which economic change would increase the problem of scarcity?

- A a decrease in fish stocks
- B a discovery of a new oil field
- C an increase in labour productivity
- D a reduction in waste

Q5/J/10

15) A friend said his French grandmother kept switching off the lights but left the tap running. His Namibian relative left the lights on while shouting at him to turn off the water.

Which availability of resources and level of prices would make economic sense of these consumer actions?

	in France	in Namibia
A	adequate water supplies	expensive electricity
B	cheap electricity	adequate water supplies
C	expensive electricity	scarce water supplies
D	scarce water supplies	cheap electricity

Q3/N/09

16) What is not one of the basic questions in Economics?

- A For whom will goods be produced?
- B How will goods be produced?
- C How will goods be transported?
- D What goods will be produced?

Q5/N/09

17) What is the basic economic problem facing all societies?

- A how to achieve price stability
- B how to keep employment levels high
- C the extent to which incomes should be redistributed
- D what will be produced, how and for whom

Q1/J/09

18) 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.

Q5/J/09

19) Which economic question is least likely to arise as a result of scarcity?

- A For whom shall we produce?
- B How shall we produce?
- C What shall we produce?
- D When shall we produce?

Q5/N/07

20) 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

Q1/N/05

21) Which statement best explains why drought is an economic problem?

- A Drought cannot be controlled.
- B Rainfall is unreliable.
- C The effects of drought involve the government.
- D Water is a scarce good.

Q2/J/04

22) To help reduce the price of oil, new supplies are needed. However, in 2013, objectors opposed attempts to explore new sites because of the environmental damage the exploration might cause.

How does this illustrate the basic economic problem?

- A Oil is a limited resource.
- B Oil is expensive.
- C The exploration involves demand and supply.
- D There are external costs involved in production.

Q2/J/V15

23) 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.

Q1/J/V13

24) Which combination of resources and wants causes the economic problem?

	resources	wants
A	limited	limited
B	limited	unlimited
C	unlimited	limited
D	unlimited	unlimited

Q1/J/V12

25) Every business organisation faces the problem of satisfying wants.

What is the reason why wants are not fully satisfied?

- A An economy can only produce a limited amount of goods and services.
- B Governments cannot print enough money to pay for goods and services.
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Q1/N/V11

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Q1/J/V11

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- A Increased demand leads to higher market prices.
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- D Scarce economic resources are distributed equally.

Q1/N/V10





## 2. FACTORS OF PRODUCTION

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1) Which is **not** a factor of production?

- A a farm
- B a farmer
- C a farmer's bank account
- D a second-hand tractor

Q1/J/17

2) Helium is a gas that is limited in supply. It takes thousands of years to form from decaying radioactive rocks. The US government holds 35% of the world's supply and has been selling its stocks. Helium is essential in medical scanners. It is also used for party balloons which some say is a wasteful alternative use of a valuable good.

Which concepts can be applied to the above statement?

- A demand and supply, government subsidy
- B excess demand, resource allocation
- C factors of production, private monopoly
- D opportunity cost, public sector

Q2/J/V17

- 3) Each factor of production earns an income.

What correctly identifies the income for labour and capital?

	<b>labour</b>	<b>Capital</b>
A	profit	interest
B	rent	profit
C	wages	profit
D	wages	interest

Q1/N/16

- 4) In a rural community of Southern Africa, women were responsible for planting and weeding crops by hand, while men used to control production and receive profits.

Which combination of factors of production was in operation?

	<b>men</b>	<b>Women</b>
A	capital	Land
B	enterprise	Labour
C	labour	Capital
D	land	Enterprise

Q1/N/15

- 5) New oil reserves are discovered.

What has increased in supply?

- A capital
- B enterprise
- C labour
- D land

Q2/J/15

- 6) 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.

Q2/N/14

7) What is a factor of production?

- A a semi-skilled, young worker
- B direct taxes received by a government
- C shares in a manufacturing company
- D stocks of money held a bank

Q3/J/14

8) In which case is it possible to set the level of reward before production takes place for the first factor of production but not for the second?

	<b>first factor</b>	<b>second factor</b>
A	capital	land
B	enterprise	labour
C	labour	capital
D	land	enterprise

Q3/N/13

9) Reena makes a living by selling paintings of the town in which she lives. She sells them in an open-air market once a week.

In order to be able to sell more pictures in a week she decides to buy a studio, pay someone to help in the studio and try to increase demand by advertising in the local paper.

Which factors of production were changed?

- A capital and enterprise
- B enterprise and labour
- C labour and capital
- D labour only

Q3/J/13

10) Two telecommunications companies are to merge to finance investments in new technology, which will be more efficient and require smaller buildings. Three hundred workers will lose their jobs.

What will happen to the factors of production used?

	<b>land</b>	<b>labour</b>	<b>capital</b>	<b>enterprise</b>
A	fall	fall	rise	fall
B	fall	fall	uncertain	rise
C	rise	rise	rise	rise
D	uncertain	rise	fall	fall

Q3/N/12

11) Which statement about the factors of production is correct?

- A Capital includes factories and machinery but not roads and ports.
- B Enterprise is more often found in the public sector rather than the private sector.
- C Labour is the factor that takes risks and can become unemployed.
- D Land is the natural factor that can be improved by human action.

Q2/J/12

12) A university rejects 2000 qualified applicants who wish to study there.

What factor of production could have caused the university to make this decision?

- A infinite quantity of capital
- B scarcity of labour
- C surplus of land
- D unlimited supply of enterprise

Q4/N/11

13) Each of the factors of production earns an income.

What are the incomes for land and capital?

	land	capital
A	rent	interest
B	rent	profit
C	wages	interest
D	wages	profit

Q1/J/11

14) A farmer pays a landowner for the use of a field.

What is the income to the landowner called?

- A interest
- B profit
- C rent
- D wages

Q1/N/10

15) What is a factor of production?

- A an advantage of producing on a large scale
- B a resource used to produce goods and services
- C a sub-section of a manufacturing process
- D a unit of output

Q4/N/10

16) Which statement about the factors of production is correct?

- A A river from which a company draws water is called land.
- B Raising finance for a company is called capital.
- C Supervisors employed in a company are called enterprise.
- D The owner of a company is called labour.

Q1/J/10

17) 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

Q1/N/09

18) A major airline needs a range of people and equipment. These can be divided into factors of production.

Which is allocated to its correct factor of production?

	people or equipment	factor of production
A	aircraft	capital
B	computer	network land
C	pilots	enterprise
D	shareholders	labour

Q2/J/09

19) What is not a factor of production?

- A company shares
- B machinery
- C raw materials
- D unskilled workers

Q1/N/08

20) Which of the following is a factor of production?

- A the payment of interest on a bank loan
- B the profit declared by a company in its annual report
- C the skill of the managers of a business
- D the taxes paid to the government

Q2/J/08

21) Hong Kong lacks natural resources. Its best asset is its people.

What can be concluded about Hong Kong's factors of production?

	<b>well supplied</b>	<b>poorly supplied</b>
A	capital	enterprise
B	enterprise	labour
C	labour	land
D	land	capital

Q4/J/08

22) A water pump has been invented which is operated when people play on a roundabout in the village. The roundabout provides the power to pump water from the well.

Of what is this an example?

- A conserving labour and conserving natural resources
- B conserving labour and using natural resources
- C using labour and conserving natural resources
- D using labour and using natural resources

Q38/N/07

23) \$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

Q1/J/07

24) What is an example of the factor of production enterprise?

- A a shop assistant
- B a shop's profits
- C a shop owner
- D a shopping centre

Q4/N/06

25) A boat owner employs a crew to catch fish to sell on the market.

Which factors of production are involved in this activity?

- A labour, capital and enterprise only
- B land, labour and capital only
- C land, labour and enterprise only
- D land, labour, capital and enterprise

Q3/J/06

26) An entrepreneur can use either capital or labour in the production process. The actual combination changes as the prices of the factors alter.

When is capital most likely to replace labour?

	<b>price of capital</b>	<b>price of labour</b>
A	constant	falling
B	falling	rising
C	rising	constant
D	falling	falling

Q20/J/06

27) What is not a factor of production?

- A a \$20 banknote
- B an office
- C a photocopier
- D a secretary

Q1/N/V16

28) The following are four ways factors of production are used.

What is likely to require the greatest use of the factor enterprise?

- A a carpenter making wooden articles in his leisure time for sale at a monthly market
- B a corn farmer negotiating with other farmers to hire expensive machinery
- C a food shop owner sometimes selling flowers in the shop
- D a householder harvesting vegetables grown at home

Q1/J/V15

29) Which resource is an example of capital used in the fishing industry?

- A a fishing boat
- B fish
- C owners of firms in the industry
- D skilled workers in the industry

Q1/N/V14



30) In a region of high unemployment, a manufacturer applied for a loan from the government so that the number of machines in an existing factory could be increased. It was hoped this would also enable more workers to be employed.

Which factors of production does this decision involve?

- A labour and capital only
- B labour, capital and enterprise only
- C land, labour and capital only
- D land, labour, capital and enterprise

Q3/N/V13

31) Which group linked to a firm always bears the risk of the decision to produce?

- A creditors
- B managers
- C owners
- D workers

Q3/J/V13

32) As the need for energy increases, energy suppliers use a mix of resources.

Which resource is renewable?

- A coal
- B gas
- C oil
- D water

Q2/N/V12

33) A public limited company delivers groceries which customers order on the Internet.

What is an example for the firm of the factor of production called capital?

- A the computers required to receive the orders
- B the fuel used by the delivery vehicles
- C the money required to pay the firm's costs
- D the shares it sells on the stock exchange

Q3/N/V12

34) What does an economist mean by capital?

- A man-made goods that do not directly satisfy human wants
- B money used to set up new businesses and expand existing businesses
- C natural resources that will not be replaced
- D the ability to earn profits by combining resources to produce goods

Q2/J/V12

35) A university rejects 2000 qualified applicants who wish to study there.

What factor of production could have caused the university to make this decision?

- A infinite quantity of capital
- B scarcity of labour
- C surplus of land
- D unlimited supply of enterprise

Q2/N/V11

36) Each of the factors of production earns an income.

What are the incomes for land and capital?

	land	capital
A	rent	interest
B	rent	profit
C	wages	interest
D	wages	profit

Q2/J/V11

37) What is a factor of production?

- A an advantage of producing on a large scale
- B a resource used to produce goods and services
- C a sub-section of a manufacturing process
- D a unit of output

Q2/N/V10

38) A farmer pays a landowner for the use of a field.

What is the income to the landowner called?

- A interest
- B profit
- C rent
- D wages

Q4/N/V10

39) Which statement about the factors of production is correct?

- A A river from which a company draws water is called land.
- B Raising finance for a company is called capital.
- C Supervisors employed in a company are called enterprise.
- D The owner of a company is called labour.

Q2/J/V10

40) An increase in the number of manufacturing robots in the car manufacturing industry represents an increase in the quantity of which factor of production?

- A capital
- B enterprise
- C labour
- D land

Q2/J/V16



### 3. LABOUR & CAPITAL INTENSIVE PRODUCTION

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- 1) Some agricultural co-operatives have changed from labour-intensive to capital-intensive methods of production.

What might be a cause of this change?

- A Average productivity of agricultural workers has increased.
- B Farming equipment has become more efficient.
- C People are eating less food for health reasons.
- D Some agricultural land has been sold for housing.

Q13/N/16

- 2) Changes in demand mean that the government of Bangladesh hopes to switch some production from clothes made by low-paid, unskilled workers to medicines produced by highly-trained technicians.

Which policies would enable Bangladesh to achieve this switch in employment and production?

- A close clothes factories and decrease imports
- B encourage immigration of foreign labour and introduce tariffs on clothing
- C invest in education and purchase new machines
- D substitute labour for machines and encourage emigration of workers from Bangladesh

Q26/J/12

- 3) The government pays a subsidy for each worker employed by a firm in an area of high unemployment. When would this policy be most successful in reducing unemployment?

- A when the firm is capital-intensive
- B when the firm is labour-intensive, requiring mainly unskilled labour
- C when the firm provides professional services
- D when the firm requires mainly specialist, skilled labour

Q25/N/09

- 4) What makes an industry capital-intensive?

- A It employs many unskilled workers.
- B It manufactures expensive products.
- C It occupies sites on cheap land.
- D It uses a large amount of equipment and a small labour force.

Q3/N/06

- 5) A firm finds that it can increase its production by replacing some of its workers by a machine. If this happens, what changes occur?

- A Fixed costs increase and variable costs increase.
- B Fixed costs increase and it becomes more capital-intensive.
- C Variable costs decrease and it becomes more labour-intensive.
- D Variable costs increase and fixed costs decrease.

Q19/N/05

- 6) When is a firm considered more capital-intensive than another firm?
- A when it has a lower ratio of workers to machines than the other firm
  - B when it has fewer workers than the other firm
  - C when it has higher variable costs than the other firm
  - D when it has more machines than the other firm

Q13/J/V15

- 7) What will make an industry capital-intensive?
- A employing many unskilled workers
  - B manufacturing expensive products
  - C occupying cheap land
  - D using expensive equipment and a small labour force

Q20/Specimen





## 4. OPPORTUNITY COST

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- 1) Heavy rain caused floods in an area of a country.  
What may be an opportunity cost of repairing the damage caused?
- A** the allocation of government funds to the area instead of on a new airport
  - B** the cost of providing shelter for those made homeless
  - C** the decline in the tourist industry in the area
  - D** the loss of profits from businesses affected by the flood

Q2/J/17

2) What could be the opportunity cost of a nuclear power station?

- A the running costs of the power station
- B a coal-fired power station
- C the current value of the power station
- D the cost of building the power station

Q2/N/16

3) What economic concept must be at work when there is movement by a country along its production possibility curve?

- A economies of scale
- B equilibrium price
- C maximum profit
- D opportunity cost

Q1/J/16

4) A person works at home making table cloths. He works for 6 hours each day and makes 15 table cloths an hour. He sells them for \$10 each.

He then decides to work for only 4 hours each day.

What can be concluded from the above information?

- A The lost profit would be \$300.
- B The lost revenue would be \$60.
- C The daily opportunity cost would be 30 table cloths.
- D The daily opportunity cost would be \$50.

Q4/N/15

5) 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

Q4/J/15

- 6) Sam wrote a list of how he would prefer to spend his Saturday afternoon.

<b>first choice</b>	<b>go to a cricket match</b>
second choice	watch the annual town parade
third choice	go to the cinema
fourth choice	visit relatives

Unfortunately a thunderstorm caused the cricket match and the town parade to be cancelled. Sam went to the cinema.

What was the opportunity cost of going to the cinema?

- A going to the cricket match
- B watching the town parade
- C visiting his relatives
- D losing his Saturday free time

Q1/N/13

- 7) In China the government is concerned about the level of poverty and the need for more resources in the poorer regions of the country. As a result, it is increasing its expenditure there and reducing it in the wealthier regions.

Which economic concept does this government policy illustrate best?

- A diseconomies of scale
- B market forces
- C opportunity cost
- D specialisation

Q1/N/12

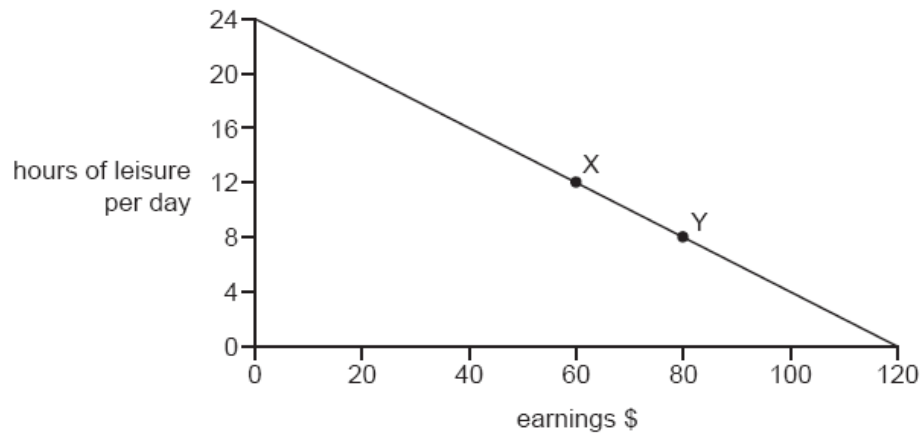
- 8) A student leaves school and decides to spend the next two years at a college to improve her qualifications.

What is the opportunity cost to the student of taking this decision?

- A the cost of the course fees at the college
- B the increase in job opportunities she will have as a result of her extra qualifications
- C the lost production due to her not being in work
- D the money she would have earned if she had been in work for the two years

Q3/J/12

9) The diagram shows the choices for an individual between leisure and earnings.



What is the opportunity cost to the individual of the extra earnings when moving from position X to position Y?

- A \$20
- B \$80
- C 4 hours of leisure per day
- D 8 hours of leisure per day

Q1/N/11

10) A firm decides to stop manufacturing ovens and to produce washing machines instead.

What is the opportunity cost to the firm?

- A the additional washing machines produced
- B the cost of producing ovens
- C the cost of producing washing machines
- D the loss of the production of ovens

Q2/J/11

11) A government is faced with the choice of spending on either education or healthcare.

Of what is this an example?

- A conservation of resources
- B monetary policy
- C opportunity cost
- D substitution of factors

Q5/N/10

- 12) The government of a country with a rapidly increasing population decides to switch resources from investment to increased subsidies to farmers.

What is the opportunity cost of this decision?

- A the profit earned by farmers
- B the rent of the land on which food is grown
- C the reduction in investment
- D the wages of the farm workers

Q4/J/10

- 13) 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

Q2/N/09

- 14) A large supermarket applied to build on land which was 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

Q8/N/09

- 15) Commercial companies are cutting down tropical rainforests for hardwood timber.

What is the opportunity cost to society of this activity?

- A tax revenue from the sale of the timber
- B the environment that is destroyed
- C the products made from the timber
- D the profits of the companies

Q3/J/09

- 16) A woman playing a quiz game starts with no money, but correctly answers the question that is worth \$4000. The next question is worth \$10 000 but if she answers incorrectly she will leave the game with no money.

What is her opportunity cost of choosing to answer the \$10 000 question if her answer is incorrect?

- A nothing
- B \$4000
- C \$6000
- D \$10 000

Q5/N/08

- 17) 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

Q5/J/08

- 18) A government decides to spend more on defence and, therefore, cannot spend as much on improving the country's infrastructure.

What economic idea is illustrated by this decision?

- A budget surplus
- B monetary policy
- C opportunity cost
- D specialisation

Q1/N/06

- 19) 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 centres
- C more homes for new homeowners
- D some farm output

Q1/J/06

- 20) A government spends \$100 m on employing extra teachers instead of extra nurses.

What will be the opportunity cost of this?

- A \$100 m
- B the cost of training extra teachers
- C the extra nurses
- D the reduction in unemployment among teachers

Q3/N/05

21) A factory working at full capacity is producing tennis racquets and golf clubs. The management decides to produce fewer racquets and more clubs because of an increase in demand for golf clubs.

What is the opportunity cost of producing more golf clubs?

- A the cost of retraining some workers to make golf clubs
- B the cost of transporting and selling the extra golf clubs produced
- C the materials bought to make extra golf clubs
- D the tennis racquets that will not now be produced

Q3/J/05

22) In 2002 the government of Zimbabwe diverted US\$18 million, originally intended to support private business, to help feed millions of people threatened by famine. Some of the money was used to import up to 1.8 million tonnes of corn.

What was the opportunity cost to Zimbabwe of this decision?

- A the cost of the extra food
- B the cost of the 1.8 million tonnes of corn
- C the effect on private business
- D the US\$18 million

Q3/J/04

23) In recent years more golf courses, which use large quantities of water, have opened in China.

What may be the opportunity cost of this?

- A cost of water
- B loss of farmland
- C sales of golf equipment
- D wages of golf course staff

Q3/N/V14

24) A generating station was built to supply electricity to a rural village in Africa.

What was the opportunity cost to the local economy?

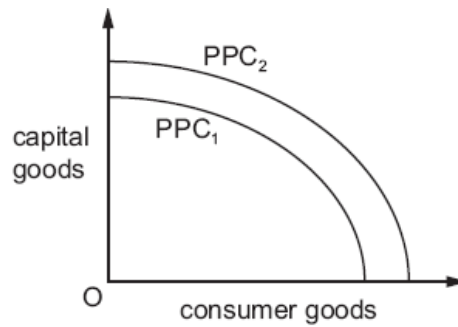
- A the charge the villagers had to pay for the electricity
- B the cost of the building materials
- C the school that was not built as a result
- D the wages of the workers

Q1/N/V13





25) The diagram shows an initial production possibility curve of PPC1.



What may cause the movement of the production possibility curve from PPC1 to PPC2?

- A a better educated workforce
- B a decrease in availability of raw materials
- C increased wages
- D lower productivity

Q1/J/V16

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

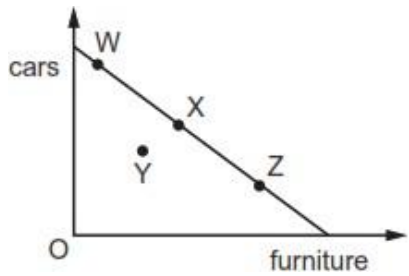
- A an identical alternative
- B any possible alternative
- C the least valuable alternative
- D the next best alternative

Q2/Specimen

## 5. PRODUCTION POSSIBILITY CURVE

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1) The diagram shows a production possibility curve for cars and furniture.



A recession causes a decrease in production in both cars and furniture.

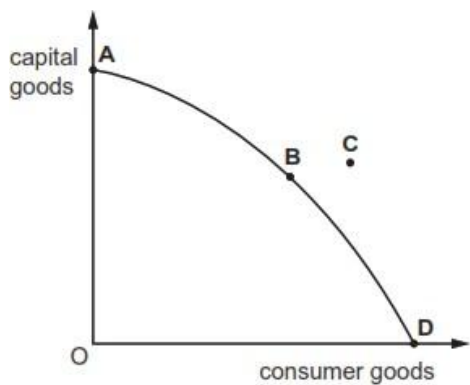
Which movement would represent this change?

- A X to W
- B X to Y
- C Z to W
- D Z to Y

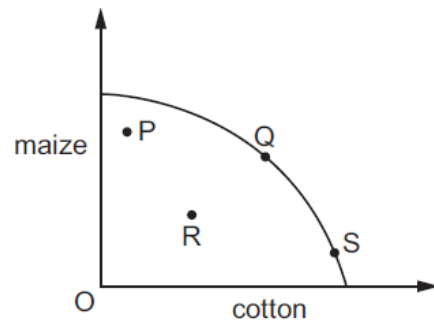
Q3/J/17

2) The diagram shows a production possibility curve for an economy.

Which point on the diagram is the most efficient for the economy to produce both consumer goods and capital goods?  
Q3/J/V17



- 3) The diagram shows a production possibility curve for maize and cotton.



Bad weather causes a poor harvest for both crops.

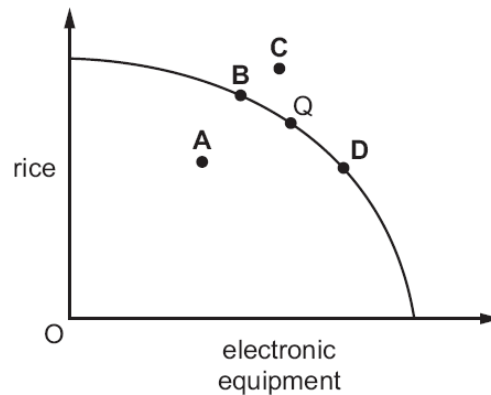
Which movement could be used to represent this change?

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

Q3/N/16

- 4) The diagram shows a production possibility curve for an economy that can produce rice or electronic equipment. The economy is at point Q. A recession causes unemployment in the electronics industries.

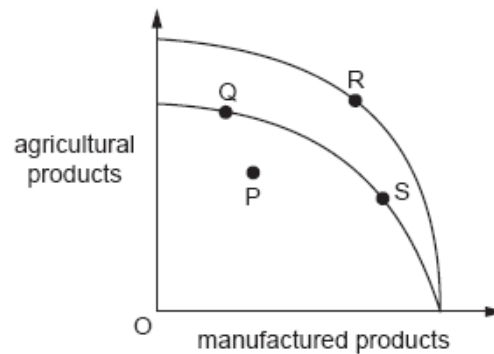
At which point will the economy be in the diagram?



Q3/N/15

- 5) The diagram shows production possibility curves (PPC) for a country that can produce agricultural products or manufactured products.

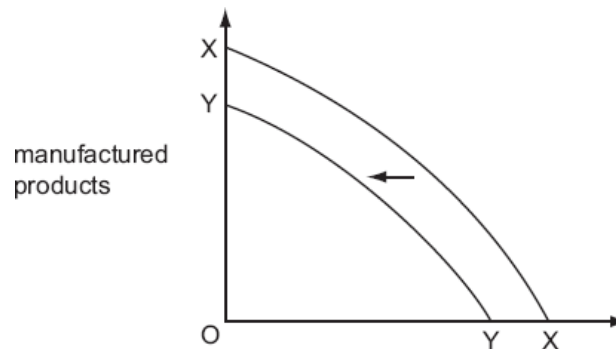
Its current PPC passes through points Q and S but the country is currently experiencing unemployment.



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? Q3/J/15

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

- 6) The diagram shows two production possibility curves for an economy.



What could have caused the change in the economy's production possibility curve from XX to YY?

- A** a decrease in the price level  
**B** a large number of industrial disputes  
**C** a major earthquake  
**D** an increase in unemployment

Q3/N/14

7) How is an immediate effect of an increase in unemployment illustrated on a production possibility curve diagram?

- A a movement of the production point closer to the curve
- B a movement of the production point further inside the curve
- C a shift of the production possibility curve inwards
- D a shift of the production possibility curve outwards

Q2/J/14

8) How does a production possibility curve show that scarcity exists?

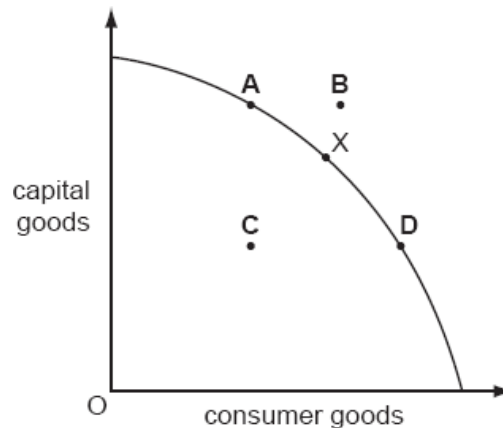
- A It shows that a rise in demand for one of the products increases its price.
- B It shows that as more resources are used to produce a product, its price rises.
- C It shows that at any point outside the production possibility curve an economy is wasting resources.
- D It shows that there is a limit to the quantity of products that can be produced with existing resources and technology.

Q2/N/13

9) A country is producing at point X on its production possibility curve which shows how it can allocate its production between capital goods and consumer goods.

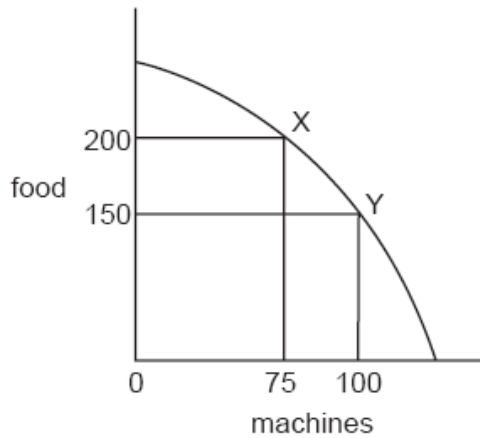
A period of recession then causes some of its factories to close.

Which point could represent the country's new position?



Q2/J/13

10) An economy is producing at X.

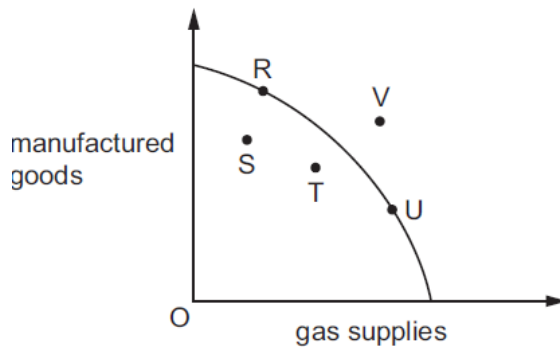


What is the opportunity cost of choosing to produce at Y instead of X?

- A 25 machines
- B 50 units of food
- C 75 machines
- D 150 units of food

Q4/J/07

11) In 2014 private companies began to drill in areas of the country to exploit natural gas supplies that were known to exist.



How might this decision be represented on the diagram which shows a production possibility curve for the country?

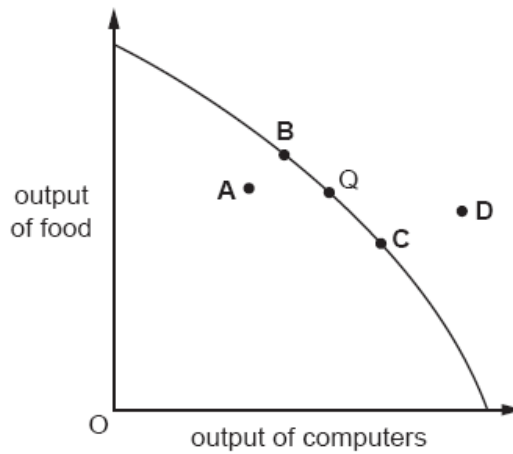
- A by a movement from R to S
- B by a movement from R to V
- C by a movement from S to T
- D by a movement from U to V

Q3/N/V16



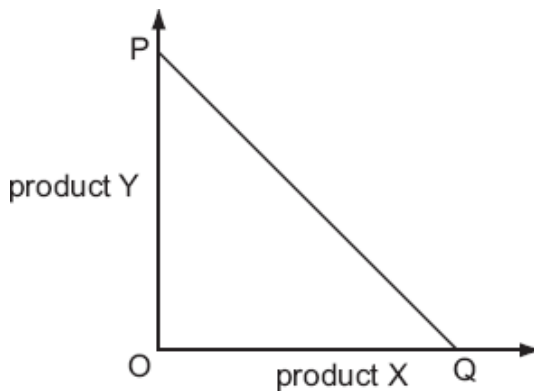
12) With a given level of resources, an economy that can produce food or computers is at point Q on its production possibility curve. Population growth means more resources need to be allocated to food production.

At which point in the short term will the economy be in the diagram?



Q3/J/V15

13) In the diagram, what does the production possibility line PQ illustrate?



- A constant opportunity cost
- B decreasing opportunity cost
- C diseconomies of scale
- D economies of scale

Q2/N/V14

- 14) An economy produces different types of goods using its limited resources. This can be illustrated by a production possibility curve.

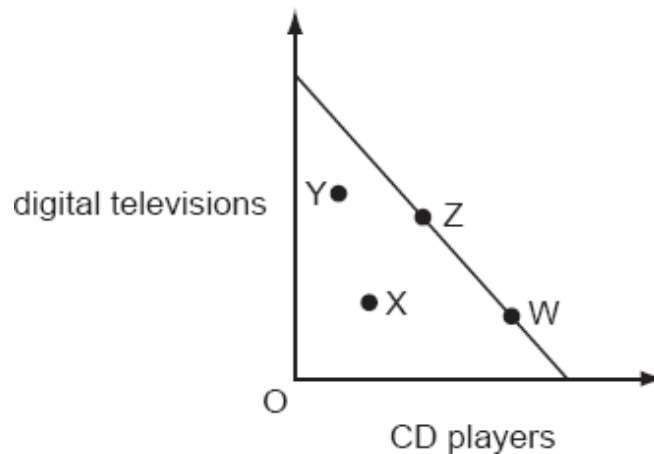


What does point X on the production possibility curve show?

- A All resources are used for the production of consumer goods.
- B More resources are allocated to producing capital goods than consumer goods.
- C Resources are allocated to produce a mixture of consumer and capital goods.
- D Total resources are not being fully utilised for production of these goods.

Q2/N/V13

- 15) The diagram shows a production possibility curve for digital televisions and CD players.



Which movement shows an increase in the use of existing resources to increase production for both digital televisions and CD players?

Q2/J/V13

- A X to W
- B X to Z
- C Z to W
- D Z to Y

