

Question 1

In recent years, the US has experienced a deficit on its overall current account of the balance of payments.

What could have led to an increase in the size of the deficit?

- A increased competitiveness of goods made in the US
- B increased earnings by US investors in foreign companies
- C increased numbers of overseas visitors to the US
- D increased spending on US military bases abroad

Question 2

The table shows statistics for four countries in southern Africa.

From the information given, which country has the lowest standard of living?

	average annual growth rate of population (%)	population density per square kilometre	life expectancy	real GDP per capita (US\$)
A	1.9	19	46	190
B	2.7	2	58	1700
C	3.7	45	59	210
D	4.2	89	44	190

Question 3

What will increase the level of economic development in a country?

- A a higher infant mortality rate
- B a higher inflation rate
- C a higher interest rate
- D a higher literacy rate

Question 4

The table shows the rate of unemployment and the annual rates of change of gross domestic product (GDP) and consumer prices for four countries in 2012.

Which country was experiencing the worst economic recession?

		unemployment rate (%)	GDP (% change)	consumer prices (% change)
A	Greece	22.5	-7.1	+0.2
B	Hungary	10.9	-0.8	+5.5
C	Italy	10.8	-2.1	+3.2
D	Spain	24.8	-1.6	+2.0

Question 5

World population increased from 5.26 billion in 1990 to just over 7.00 billion in 2012. It is predicted to rise to 8.00 billion by 2025.

What is **most** likely to explain this?

- A** an increase in migration from developing to developed countries
- B** an increase in the birth rate in developing countries
- C** an increase in the death rate in developed countries
- D** an increase in the death rate in developing countries

Question 6

What must be a consequence of deflation in a country?

- A** a decrease in its exports
- B** a decrease in its saving
- C** an increase in its employment
- D** an increase in the real value of its money

Question 7

The table shows the tax paid at different levels of income.

income (\$)	amount of tax (\$)
6000	600
7000	700
8000	900
9000	1100

Which describes this tax?

- A progressive at all levels of income
- B proportional at all levels of income
- C proportional at lower incomes, progressive at higher incomes
- D proportional at lower incomes, regressive at higher incomes

Question 8

The table shows output and total costs of production of a firm with three workers.

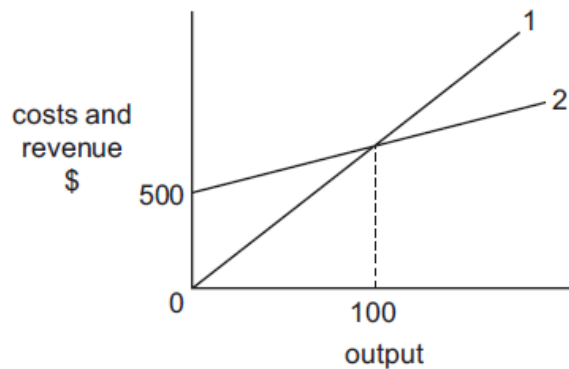
	output	total costs (\$)
week 1	5	1500
week 2	6	1600
week 3	7	1700
week 4	8	1800

How did output per worker and average cost of the product change over the period?

	output per worker	average cost
A	decrease	no change
B	increase	decrease
C	increase	no change
D	no change	increase

Question 9

The diagram shows the cost and revenue curves of a firm which starts to make a profit only after producing 100 units of output.



What are the correct labels for line 1 and line 2?

	line 1	line 2
A	average cost	average revenue
B	total cost	total revenue
C	total revenue	total cost
D	variable cost	price

Question 10

Asda, a supermarket chain, noticed a regular, sharp decrease in sales in the third week of the month as people ran out of cash before their next wage payment. The supermarket offered their biggest price reductions at that time.

Why might this policy increase total revenue?

- A** because consumers' demand curve shifts to the left in the third week of the month
- B** because consumers' demand curve shifts to the right in the third week of the month
- C** because the price elasticity of demand for Asda's products decreases in the third week of the month
- D** because the price elasticity of demand for Asda's products increases in the third week of the month

Question 11

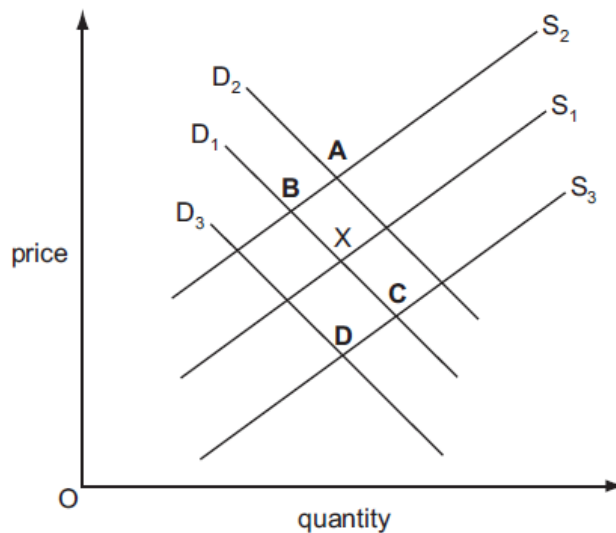
In which occupations do wages tend to be lowest?

- A in those where the work is dangerous
- B in those where there is an excess supply of labour
- C in those where workers are paid on a monthly basis
- D in those where workers need long training

Question 12

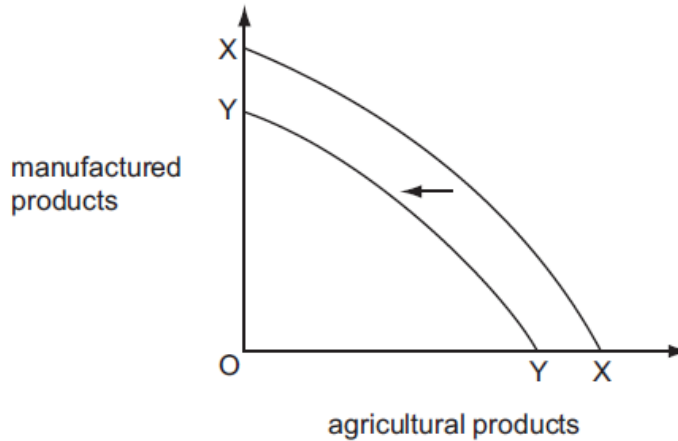
The diagram shows the market for refined oil with equilibrium of X.

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



Question 13

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

Question 14

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.

Question 15

What does a point outside a production possibility curve represent?

- A A currently unattainable position
- B An inefficient position
- C The maximum use of resources
- D Unused resources

Question 16

Which feature is a characteristic of a market economy?

- A Government planning plays a key role in the economy
- B Producers respond automatically to changes in consumer demand
- C Resources are allocated according to need
- D There is always full employment

Question 17

Which change could explain the shift of the supply curve for a product from SS to S1S1 as shown in the diagram?

- A A fall in price from P1 to P
- B A rise in the quantity demanded from Q to Q1
- C A reduction in the cost of producing the product
- D The imposition of a tax on the product

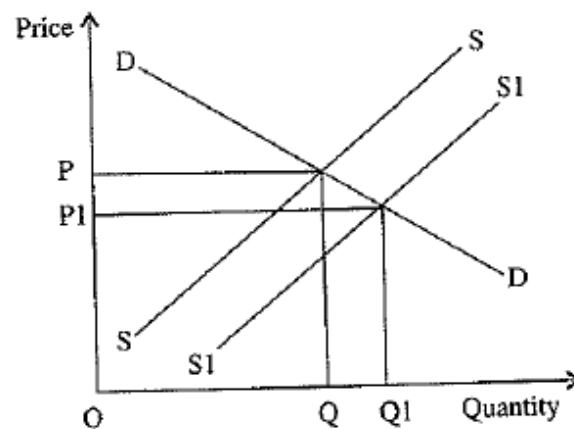


Fig. 3

Question 18

The diagram shows the demand for and supply of gold mined in a country.

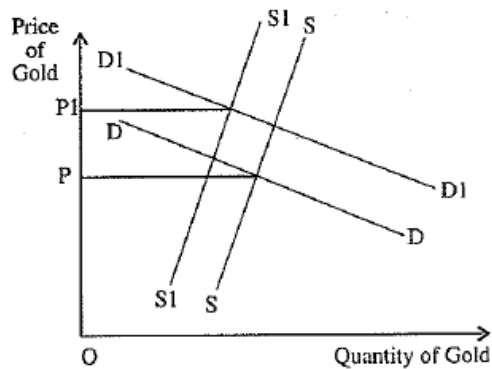


Fig. 4

Which combination of events could explain the rise in the price of gold?

- A A decrease in the price of silver and a subsidy given to gold miners
- B A decrease in the taste for gold and an improvement in the technology used in gold mining
- C an increase in incomes and an increase in the cost of mining gold
- D A decrease in the taste for gold and an improvement in the technology used in gold mining

Question 19

A rise in the price of a product from US \$ 50 to US \$ 60 causes demand to fall from 800 to 760. What is the price elasticity of demand?

- A - 0.25
- B - 0.5
- C - 2.0
- D - 4.0

Question 20

The price elasticity of demand for a product is - 0.3. What effect will a fall in its price have?

- A A decrease in total spending on the product
- B A shift to the right of the demand curve
- C A more than proportionate change in quantity demanded
- D No change in the quantity demanded

Question 21

Which characteristic would strengthen the power of a trade union?

- A Demand for the product produced by the workers is elastic
- B It is difficult to substitute the workers by machines
- C Its members are unwilling to take industrial action
- D The wages form a high proportion of the industry's total cost

Question 22

The diagram shows the market for bus drivers.

What change could have caused the change in the wage rate paid to bus drivers?

- A A decrease in the qualifications needed to be a bus driver
- B A decrease in the wage paid to train drivers
- C An improvement in the bus drivers' working conditions
- D An increase in bus travel

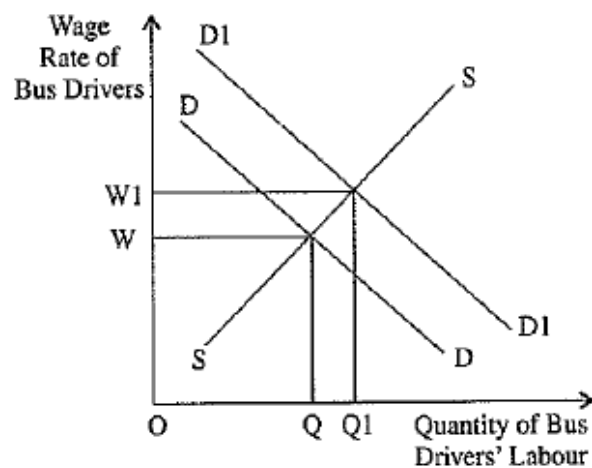


Fig. 2

Question 23

A woman's disposable income is US \$ 300 and she spends US \$ 270. What is her average propensity to save?

- A 0.1
- B 0.3
- C 0.7
- D 0.9

Question 24

A firm's fixed cost is US \$ 4,000 a week. The average total cost of producing its output is US \$ 5 and its average variable cost is US \$ 3 a week. What is its weekly output?

- A 500
- B 800
- C 1,000
- D 2,000

Question 25

The table below shows the total cost of a firm at different levels of output.

<i>Output</i>	<i>Total cost (US \$)</i>
0	20
1	30
2	38
3	42
4	50
5	60

What is the average fixed cost of producing five units of output?

- A US \$ 4
- B US \$ 12
- C US \$ 20
- D US \$ 60

Question 26

A rise in the price of cigarettes from US \$ 6 to US \$ 9 is found to cause demand to contract from 200,000 to 140,000 a day in an island country.

- a. Calculate the price elasticity of demand of cigarettes on the island.
- b. Is the demand elastic or inelastic?
- c. Explain **one** reason for the degree of elasticity you have found.
- d. Would taxing cigarettes be more effective in reducing smoking or raising tax revenue? Explain your answer.

Question 27

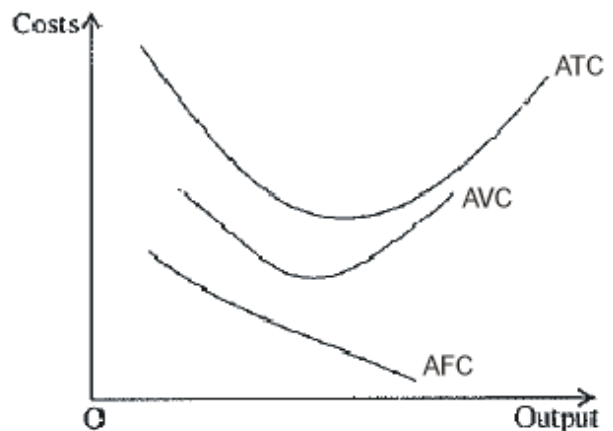
Which combination of circumstances is most likely to encourage a firm to invest?

	<i>Rate of interest</i>	<i>Retained profits</i>
A	high	high
B	high	low
C	low	low
D	low	high

Question 28

The diagram to your right shows that ATC, AVC and AFC curves for a firm. Why is the distance between ATC and AVC reduces as the output increases.

- A) Because AVC is below the ATC
- B) Because AFC is below the AVC
- C) Because AFC reduces as quantity rises
- D) Because ATC is greater than AVC



Question 29

A firm sells 30 units of output which cost US \$ 600 to produce and it makes a total profit of US \$ 150.

What is the firm's average revenue?

- A US \$ 5
- B US \$ 15
- C US \$ 20
- D US \$ 25

Question 30

What is a characteristic of a monopoly?

- A A low market concentration ratio
- B High barriers to entry and exit
- C Many buyers and sellers
- D Perfect knowledge about market conditions

Answer Key

1	D	16	B
2	D	17	C
3	D	18	C
4	A	19	A
5	B	20	A
6	D	21	B
7	C	22	D
8	B	23	A
9	C	24	D
10	D	25	A
11	B	26	D
12	B	27	C
13	C	28	C
14	A	29	D
15	A	30	B