

- 1 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

- 2 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

- 3 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

- 4 What is likely to play a more important role in a mixed economy than in a free market economy?

- A consumer wishes
- B government intervention
- C international trade
- D the profit motive

- 5 What necessarily happens when an external benefit exists?

- A Social benefit is greater than private benefit.
- B Social benefit is greater than social cost.
- C Social cost is equal to private cost.
- D Social cost is greater than private cost.

- 6 A supply curve for a commodity is drawn to show how quantity supplied varies with
- A government taxes.
  - B income.
  - C tastes.
  - D the price of the commodity.
- 7 In June 2010, a government published a proposal to increase Value Added Tax (Goods and Services Tax) on some goods from January 2011. Between June 2010 and January 2011 consumers bought more of those goods before the price increase occurred. After January, consumers bought less of the goods.

How would the changes be shown on a demand diagram for the goods?

	from June-January	after January
A	a movement down the curve	a shift of the curve to the right
B	a movement up the curve	a shift of the curve to the right
C	a shift of the curve to the left	a movement down the curve
D	a shift of the curve to the right	a movement up the curve

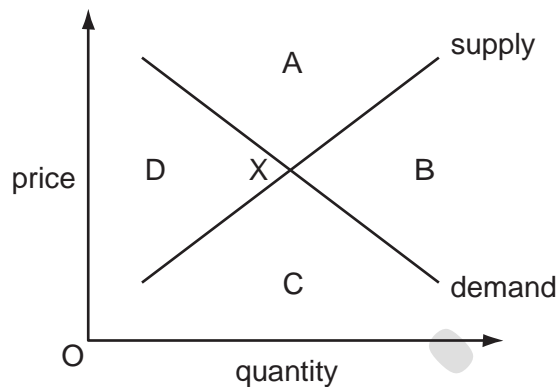
- 8 The demand for a good is totally inelastic with regard to price.
- What will happen to the firm's revenue if the price rises by 20%?
- A It will fall by 20%.
  - B It will fall to zero.
  - C It will remain unchanged.
  - D It will rise by 20%.
- 9 A developer built some large houses in a rural area which poorer people could not afford. The houses destroyed an area of natural beauty.

What type of market failure resulted from the development?

- A inequality of income
- B lack of information
- C negative externality
- D price discrimination

- 10 The market for a normal good is in equilibrium at point X. Consumers' incomes rise and the government gives a subsidy to the producers of the good.

In which area of the diagram will the new equilibrium be?



- 11 What work is in the primary sector?

- A delivering milk
- B designing gardens
- C growing fruit trees
- D selling agricultural fertiliser

- 12 What are the actions of a trade union intended to achieve in the long run?

- A benefits to society
- B harm to employers
- C help for members
- D reduced company profits

- 13 An individual has various financial assets.

What is the most easily available as cash?

- A a current (checking) bank account
- B government bonds
- C share certificates in a public company
- D time deposits in a savings bank

14 Why do banknotes function as money?

- A They are backed by gold.
- B They are durable.
- C They are generally acceptable.
- D They have intrinsic value.

15 Which function is performed by both commercial banks and central banks?

- A acting as bankers to the government
- B advising the government on monetary policy
- C dealing in foreign exchange
- D fixing the main interest rate

16 The table shows the proportion of income saved for different age groups.

age	15 – 29	30 – 39	40 – 49	50 – 62	63+
% of income saved	–34 %	–4 %	18 %	29 %	–23 %

What can be concluded from this data?

- A The 50 – 62 age group has the highest level of income.
  - B The 50 – 62 age group saves the highest proportion of its income.
  - C The older age groups earn more than the younger age groups.
  - D The youngest age group spends more than the oldest age group.
- 17 A firm opens new branches in four different cities. As a result, it can negotiate a better deal from its foreign suppliers because it purchases larger quantities. However, it finds the distance between branches causes organisational problems.

What describes the result for the firm?

- A an external economy of scale and an external diseconomy of scale
- B an external economy of scale and an internal diseconomy of scale
- C an internal economy of scale and an external diseconomy of scale
- D an internal economy of scale and an internal diseconomy of scale

- 18 As a firm increases its weekly output from 10 units to 20 units, its average cost falls from \$15 to \$10.

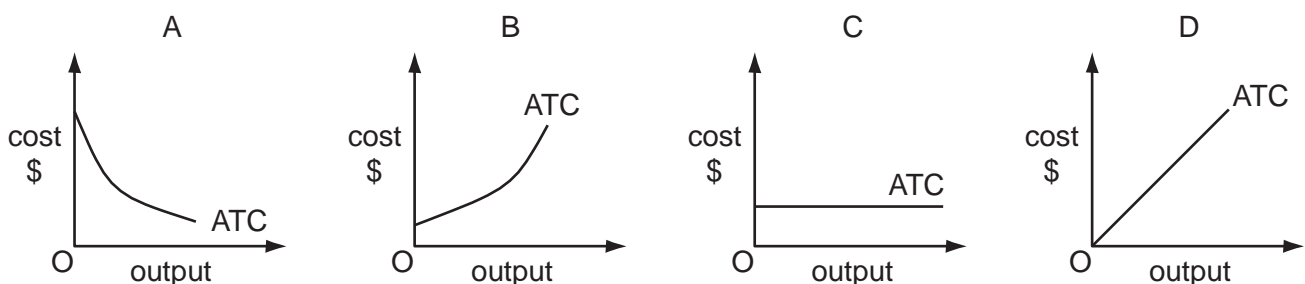
Which of its costs have risen?

- A fixed costs and variable costs only
  - B fixed costs, variable costs and total costs
  - C total costs only
  - D variable costs and total costs only
- 19 Two private firms, an iron ore mining company and an iron and steel manufacturer, agree to amalgamate.
- How would this action be described?
- A co-operative
  - B horizontal take-over
  - C partnership
  - D vertical merger
- 20 A group of hotels, owned and operated in France, needs its staff to be able to speak a number of languages so it employs people from different countries. Different firms, providing tours from other countries, send customers to the hotels in France. The hotel group has shares issued on the stock exchange.

What type of company is the hotel group?

- A a multi-national
  - B a partnership
  - C a private company
  - D a public company
- 21 The graphs show the average total cost (ATC) curves of four firms and how they change as output increases.

Which firm has the highest fixed costs?



- 22 Machu Picchu is Peru's most popular tourist destination. One train company, PeruRail, operates a monopoly service up to the site.

Why might competition on the route increase the fares paid by passengers?

- A Competitive firms have more influence on price than a monopoly.
  - B Competitive firms never make a loss.
  - C Less advantage may be taken of economics of scale.
  - D More profit may be available to spend on new technology to reduce costs of production.
- 23 Which government policy would best protect the environment?
- A encouraging economic growth
  - B exploiting natural resources
  - C increasing tax on fuel
  - D removing controls on industry
- 24 In 2010, the Greek Government proposed the introduction of a restrictive fiscal policy to reduce its budget deficit.

What does this mean the government was most likely to do?

- A increase exports
  - B increase interest rates
  - C increase its spending
  - D increase taxes
- 25 Russia exports wheat. In 2010, because of a bad harvest, the Russian Government prevented the export of wheat to keep enough supplies for domestic use.

What happened as a result of the government's action?

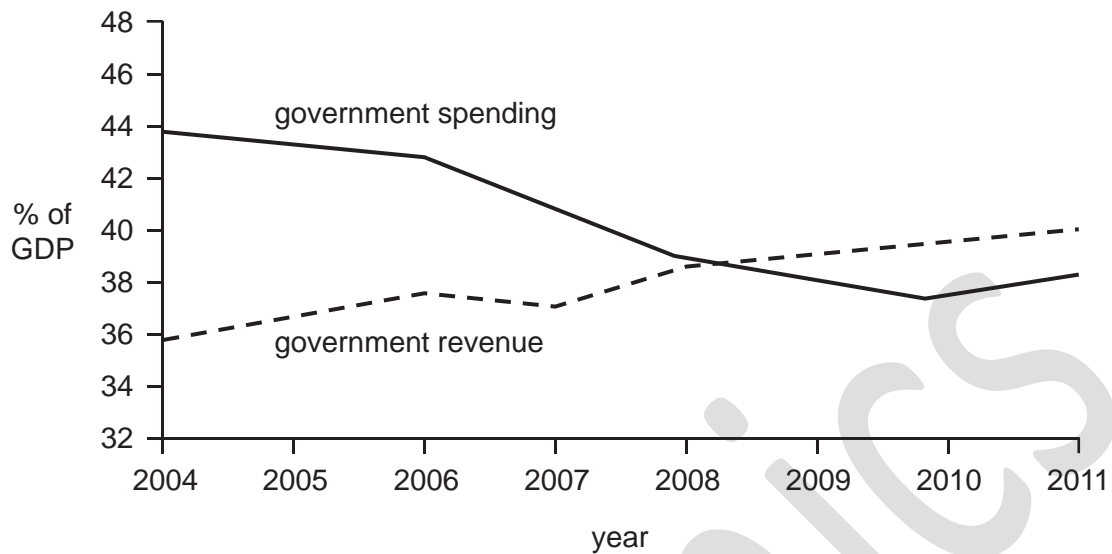
- A Prices were fixed by the wheat producers.
  - B The amount produced was determined by the government.
  - C The price of wheat abroad fell.
  - D There was a redistribution of domestic production.
- 26 A country has a proportional system of taxation.
- A person pays \$500 tax when earnings are \$5000.

How much tax will be paid if earnings rise to \$12 000?

- A \$120                      B \$500                      C \$1200                      D \$7500

Economics

- 27 The graph shows government revenue and spending in a country, as a percentage of GDP, between 2004 and 2011.



What can be concluded from the graph?

- A The balance of payments position improved.
  - B The borrowing of the government increased.
  - C The economy went into recession (economic downturn).
  - D The government budget moved from deficit to surplus.
- 28 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 goods to the domestic market
- D when the firm requires mainly specialist, skilled labour