



De Mazenod College Kandana
G.C.E. (A/L) Examination 2024
1st Term Test (May 2023)
Economics I

Duration: 1 hr

01. Every economy should make a selection among the available resources,
- 1) As all the resources belong to the economy is not efficiently utilized.
 - 2) As the economy is unable to achieve a speed economic growth.
 - 3) As the resources available in the economy is scarce and that they have alternative uses.
 - 4) As there are complex diversification among the wants of the public.
 - 5) As there are inefficiencies in distributing resources even though the production is happened at optimum level
02. Which of the following statements is true related to positive statements in economics.
- 1) A positive statement should be correct
 - 2) A positive statement cannot be proven with the real data
 - 3) A positive statement is subjective
 - 4) A positive statement is scientific
 - 5) Economic policies are based on normative statements.
03. Which of the following is created as a result of depositing iron -ore by the volcanic eruption?
- 1) Capital
 - 2) Land
 - 3) Factor productivity
 - 4) Domestic production
 - 5) Economic growth
04. Which of the following is an example for a free goods.
- 1) A pit where the clay is obtained
 - 2) Text books freely given for school children
 - 3) Native medicinal plants
 - 4) Lagoon water
 - 5) Old library books.
05. Which of the following statements explain "Human Capital"?
- 1) Labour resource which is used to produce capital equipment
 - 2) Buildings and machinery
 - 3) Doctors and accountants
 - 4) The skills and competencies of labour force
 - 5) Ability of risk bearing in entrepreneurship.

06. Select the incorrect statement

- 1) Macroeconomics and micro economic theories are main parts of economics
- 2) The behavior of consumers, producers and labour markets are explained by micro economics
- 3) The problem of scarcity arises due to unlimited wants and limited resources.
- 4) There is a difference between free goods and non-priced goods
- 5) The base of a certain need is a want

07. Renewable resources are the resources

- 1) Which are not destroyed with the usage and which are not regenerated.
- 2) Which are not depreciated with the usage and which are regenerated.
- 3) Which are depleted with the usage
- 4) Which are not depleted with the usage
- 5) Which are depleted with the usage and regenerated natural resources.

08. The opportunity cost of a certain selection is ,

- 1) Limited only to the person who made the choice
- 2) Equal to the financial cost of that choice.
- 3) Equal to the real cost of that choice.
- 4) Includes both financial cost and sacrificed income
- 5) Also known as institutional cost.

09. The main three economic units who take decisions in an economic system are,

- 1) Households, businesses firms and Banks
- 2) Households, businesses and Government.
- 3) Business firms, government and non-government organizations.
- 4) Business firms, Banks and the those engage in foreign trade
- 5) Government, trade unions and non-government organizations.

10. Which of the following is not a main pillar of a market economy ?

- 1) Self interest
- 2) Private property
- 3) Freedom of choice
- 4) Efficiency
- 5) Private enterprise

11. If the resources of a certain economy belongs to the government and the decision making of those resources are bong to price mechanism, they are ,

- 1) Mixed economics
- 2) Command economies
- 3) Capitalist economies
- 4) Socialist market economics
- 5) Social market economies

12. What are the main 3 factors that should be necessarily exist in a market economy ?

- 1) Coordination mechanism, property ownership and incentives.

- 2) Solving basic economic problems, incentives and property ownership.
- 3) Competition, income distribution and basic economic problems.
- 4) Entrepreneurship, coordination mechanism and property ownership
- 5) Coordination mechanism, entrepreneurship and incentives.

13. All the factors except one of the following affects the decline of a central planning system. Select the factor which doesn't influence?

- 1) Existing of imbalances between demand and supply
- 2) Decline of quality of productions
- 3) Non existence of sufficient incentives
- 4) Environmental degradation
- 5) Minimum distribution disparities.

14. A task performed by the price of a centrally planned economy is,

- 1) Directing the central planning authority on what to produce
- 2) Supplying of incentives for entrepreneurs through profits
- 3) Rationing of scarce resources and goods
- 4) Using as a tool in preparing economic policies
- 5) Deciding the factor income distribution among households.

15. Which one of the following is used to assess an economic system?

- 1) Good governance
- 2) Economic freedom
- 3) Interim budget
- 4) Political discipline
- 5) Consumer sovereignty

16. An assumption which the production possibilities curve is not based:

- 1) Resources which are suitable for one industry is not suitable for the other industry with the same efficiency.
- 2) The country possesses a constant stock of resources.
- 3) A simple economy which produced only two types of goods.
- 4) Economy has gained production efficiency
- 5) Technology remains constant

17. Which of the following factors would not affect the production possibilities curve shift towards right?

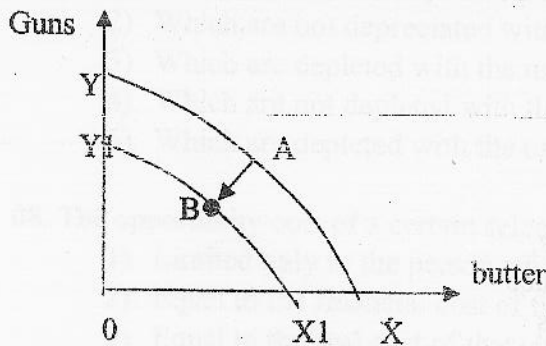
- 1) Technological advancements.
- 2) Tendency towards open trade
- 3) Decline of unemployment
- 4) Increase the education level of the population
- 5) Increase of productivity

18. When a certain economy achieved production efficiency

- 1) One commodity cannot be increased without decreasing the other commodity

- 2) Marginal cost of producing each commodity will equal to the price of the product.
- 3) All negative externalities will be zero.
- 4) The resources will be distributed to produce the most wanted products by the society.
- 5) The economy has come to a self-sufficient status.

19. The production possibilities curve related to a certain economy are given to you.



Which of the following reasons affect the point to move from "A" to "B"

- 1) Decrease of aggregate demand of the economy
- 2) Decrease of production due to worker problems
- 3) Economy faces a recession
- 4) Economic decline
- 5) Non reformation of capital goods

20. Select the incorrect statement.

- 1) A production firm will face increasing, decreasing and constant opportunity cost situations throughout the life time.
- 2) When a powerful nation imposes a sanction against another country, they aim on attacking the production possibility of the country.
- 3) The production possibilities curve can be used to explain all economic incidents and concepts
- 4) Production possibilities curve can be used for a certain economic system and the for the economic units
- 5) When we draw the production possibilities curve, we assume that the resources held constant, quantitatively or qualitatively.



09-06-2022

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Economics II



Duration: 1 hr 45 mins

➤ **Select only 03 questions.**

(01)

- (i) Do you believe that United States of America which has achieved a highest economic development has resolved the problem of scarcity? **(04 marks)**
- (ii) In economics there are normative and positive economic statements, Discuss. **(04 marks)**
- (iii) The school text books and uniform material which are supplied free of charge for school children are free goods since a price is not charged. Do you agree? Explain. **(04 marks)**
- (iv) Economics explain that choice related questions arise due to scarcity. Do you agree with this statement? Explain **(4 marks)**
- (v) State the difference between needs and wants. What are the reasons for increase or development of economic wants? **(04 marks)**

(02)

- (i) What are the main two ways of categorizing natural resources in economics? **(04 marks)**
- (ii) State the difference between Labor and Human capital. **(04 marks)**
- (iii) State the main tasks of an entrepreneur. **(04 marks)**
- (iv) Even though capital is a stock concept, creation of capital is a flow concept. Explain. **(04 marks)**
- (v) To which production factor do the following belong
a) A compost mine
b) Fishing by a fisherman
c) Tea cultivation
d) Coral reefs **(04 marks)**

(03)

- (i) What are the assumptions made when drawing the production possibilities curve? **(04 marks)**
- (ii) An economy can achieve economic efficiency by achieving the production efficiency. Do you agree? Explain graphically. **(04 marks)**
- (iii) Represent the following in a production possibilities curve.
a) Unattainable production combination
b) Economy decides to produce less of computer goods and more of motor vehicles
c) Economic decline
d) Increase of unemployment **(04 marks)**
- (iv) What is meant by increasing opportunity cost? Explain with the use of production possibilities curve. **(04 marks)**
- (v) Explain with relation to the diagrams how the future economic growth is affected by the present consumption decisions. **(04 marks)**

(04)

- (i) An economy produces two goods X and Y. When X production is 100 units, Y production is 0 and when Y production increases by 2 units X production is sacrificed by 20 units
- a) Represent the above in a schedule and draw the production possibilities curve. (02 marks)
 - b) Calculate the opportunity cost of X (02 marks)
 - c) This economy has planned to produce 60 units of X and 8 units of Y. Mark this point as A in the diagram. What is explained by that point? (02 marks)
- (ii) Differentiate between economic recession and economic depression with the use of production possibilities curve (04 marks)
- (iii) What do you mean by 'zero opportunity cost'? How do you represent it in a PPC diagram? (4 marks)
- (iv) Explain why a production possibilities curve slopes downwards from left to right. (04 marks)
- (v) State two factors which are important in assessing opportunity cost. (02 marks)

(05)

- (i) (a) What is meant by an economic system? (02 marks)
- (b) State the main three criteria used to categorize the economic systems. Show the categorization of economic systems accordingly. (04 marks)
- (ii) Differentiate between social market and socialist market economies (04 marks)
- (iii) A market economy is controlled by an invisible hand, Explain. (04 marks)
- (iv) State the differences between a market economy and a command economy. (04 marks)
- (v) State two types of incentives in an economic system. (02 marks)