

1.

Award: 10.00 points

The central problem in economics is that of:

- ☐ guaranteeing an equal standard of living for every citizen in the country.
- ☒ allocating scarce resources such that society's unlimited wants are satisfied in the best possible manner.
- ☐ deciding whether a country should adopt a command economy or a market economy.
- ☐ ensuring that each individual contributes equally to production activities in the economy.

Economics is the study of the allocation of scarce resources such that society's unlimited needs or wants are satisfied in the best possible manner.

2.

Award: 10.00 points

The problem of scarcity implies that _____.

- ☒ resources that can meet human wants are finite
- ☐ human needs are limited
- ☐ both human wants and resources are limited
- ☐ both human wants and resources are infinite

Scarcity implies that while human wants are infinite, resources that can be used to meet those wants are finite.

3.

Award: 10.00 points

To deal with the problem of scarcity, every society must:

- ☐ place a limit on human needs and wants.
- ☐ reduce the quantity of resources that are allocated to production.
- ☐ distribute income equally among all its citizens.
- ☐ make choices about what is to be produced, how and for whom.

The problem of scarcity makes it necessary for every society to decide about what is to be produced, how and for whom.

4.

Award: 10.00 points

_____ provide(s) companies with financial backing that enables risk taking and the pursuit of profits.

- ☐ Enterprise
- ☐ Shareholders
- ☐ Labour
- ☐ The government

Shareholders provide companies with financial backing that enables risk taking and the pursuit of profits.

5.

Award: 10.00 points

_____ is the factor of production comprising oil, gas, base metals and other minerals.

- ☐ Labour
- ☐ Land
- ☐ Enterprise
- ☐ Capital

Land is where raw materials like oil, gas, base metals and other minerals come from.

6.

Award: 10.00 points

The production possibility frontier shows _____.

- ☐ the various combinations of labor and capital that can be used to produce a good at a given wage and rent
- ☐ the different combinations of inputs that can be used to produce a given good
- ☐ the total quantity of land available in an economy
- ☒ the maximum number of products that can be produced by an economy with the given resources

The production possibility frontier shows the maximum number of products that can be produced by an economy with a given amount of resources.

7.

Award: 10.00 points

If a society is moving along its production possibility frontier, then _____.

- ☐ the production process is becoming increasingly inefficient
- ☒ it is giving up more of some goods to produce other goods
- ☐ more of all goods are being produced
- ☐ some of its resources are unemployed

If a society moves along its production possibility frontier, then it must be giving up more and more of some goods to produce other goods. This is because the production possibility frontier shows the various combinations of output that can be produced by an economy with a given amount of resources.

8.

Award: 10.00 points

A single point on a production possibility frontier will show _____ in an economy.

- ☐ who receives the output produced
- ☒ which combinations of output are efficiently produced
- ☐ what the level of inflation is
- ☐ whether resources are scarce or abundant

The production possibility frontier shows the various combinations of output that can be produced when an economy utilises its resources fully.

9.

Award: 10.00 points

If previously unemployed factors of production are utilized, _____.

- ☐ the economy moves along the production possibility frontier
- ☐ the production possibility frontier shifts outward to the extent of the output that is produced
- ☐ the production possibility frontier is not affected
- ☒ the economy will move from a point below the production possibility frontier to a point on the frontier

If there are unemployed factors in an economy, it means the economy is at a point below the production possibility frontier. Hence, putting these factors to work will shift the economy towards the frontier.

10.

Award: 10.00 points

A point beyond the production possibility frontier:

- ☐ shows the current level of production in the economy.
- ☐ is less efficient than any point below the frontier.
- ☒ cannot be attained, given the current level of resources and technology.
- ☐ indicates a lower level of production than any point below the frontier.

Any point beyond the production possibilities frontier cannot be attained, given society's current level of resources and production technology. It can be attained in the long run when an economy increases its productive capacity.

11.

Award: 10.00 points

Opportunity cost can be defined as _____.

- ☐ the cost of production that remains fixed even as more output is produced
- ☐ the profits earned from selling a particular good
- ☒ the benefits forgone from the next best alternative
- ☐ the variable costs of producing a good

Opportunity cost can be defined as the benefits forgone from the next best alternative.

12.

Award: 10.00 points

The production possibility frontier has a negative slope because _____.

- ☐ operating at a point on the frontier is not optimal
- ☐ resources are infinite while human wants are limited
- ☒ it exhibits increasing opportunity costs
- ☐ the costs of production are very high

The production possibility frontier's negative slope exhibits increasing opportunity costs because more and more goods on the X axis have to be given up to increase the production of goods on the Y axis by equal amounts.

13.

Award: 10.00 points

The opportunity cost of producing an extra apple is equal to _____.

- ☐ the market price of the apple
- ☒ what must be given up in order to produce the extra apple
- ☐ the amount of time and effort that it takes to produce the apple
- ☐ the difference in the price of the apple last year and the price this year

Since opportunity costs represent the benefits forgone from the next best alternative, the opportunity cost of producing an extra apple is what must be given up in order to produce the extra apple.

14.

Award: 10.00 points

Using all its resources, an economy can produce either 200 computers or 800 chairs. If the economy produces 200 computers, its opportunity cost of producing these 200 computers is _____.

- ☐ 200 chairs
- ☐ zero
- ☒ 800 chairs
- ☐ 600 chairs

The opportunity cost is equal to what the economy has to give up in order to produce these 200 computers, which is equal to 800 chairs.

15.

Award: 10.00 points

How is a recession likely to be represented using the production possibility frontier for an economy?

- ☐ By an outward shift of the production possibility frontier
- ☐ By a point above the production possibility frontier
- ☒ By a point under the production possibility frontier
- ☐ By a point on the production possibility frontier

A point under the production possibility frontier represents unemployment, which is likely to be associated with a recession.

16.

Award: 10.00 points

Which of the following topics would be studied under microeconomics?

- ☐ The level of national unemployment.
- ☐ The growth rate of GNP.
- ☐ The effects of aggregate inflation.
- ☒ The profit-maximizing behaviour of a firm.

Microeconomics is the study of the behaviour of individual economic agents such as firms and consumers.

17.

Award: 10.00 points

Which of the following statements best describes macroeconomics?

- ☒ It is the study of the economy as a whole.
- ☐ It is the study of the costs and revenues of a single firm.
- ☐ It studies the behaviour of individuals, firms or consumers.
- ☐ It studies market structures like monopoly.

Macroeconomics is the study of the economy as a whole.

18.

Award: 10.00 points

Which of the following pertains to macroeconomics?

- ☐ Consumer preferences.
- ☒ Factors causing a recession.
- ☐ Price elasticity of demand.
- ☐ Profit-maximising output of a firm.

Since macroeconomics studies the economy as a whole, part of macroeconomics is understanding what creates a recession and how to remedy a recession.

19.

Award: 10.00 points

Which of the following statements best describes microeconomics?

- ☐ Microeconomics studies GDP with a focus on 'sustainable economic growth'.
- ☐ Microeconomics would study the factors that cause a recession and how to remedy it.
- ☒ Microeconomics focusses on the behaviour of firms or consumers in the economy.
- ☐ Microeconomics studies aggregate variables such as inflation, unemployment, and GDP.

Microeconomics places the focus of analysis on the behaviour of individuals, firms or consumers.

20. Award: 10.00 points

Which of the following pertains to microeconomics?

- ☐ The human development index and quality of life in a country.
- ☐ The level of inflation and employment in an economy.
- ☐ The shifts in the aggregate supply and aggregate demand curves in the economy.
- ☒ The change in the supply of a good based on a change in costs.

Microeconomics places the focus of analysis on the behaviour of firms and consumers. A change in the supply of a good based on a change in costs pertains to the profit-maximizing behaviour of a single firm.

21. Award: 10.00 points

In a _____, prices transmit information between buyers and sellers.

- ☒ market economy
- ☐ welfare state
- ☐ socialist economy
- ☐ command economy

Market economies rely on a very quick and efficient communication of information that occurs through prices.

22. Award: 10.00 points

In a planned economy, _____.

- ☐ the market allocates resources to the production of various goods and services
- ☐ the private sector and government jointly decide the allocation of resources
- ☐ firms and producers determine how resources are allocated
- ☒ the government determines the allocation of resources

A planned economy is one where the government owns the majority of resources and determines the allocation of resources.

23. Award: 10.00 points

The market directs an economy's resources towards the production of those goods where the _____.

- ☐ maximum price that consumers are willing to pay is low
- ☐ maximum price that consumers are willing to pay is less than the minimum price at which firms are willing to sell
- ☒ maximum price that consumers are willing to pay is more than the minimum price at which firms are willing to sell
- ☐ minimum price at which firms are willing to sell is high

If the minimum price at which firms are willing to sell is less than the consumers' maximum willingness to pay, then the potential for a market in the good exists. Firms can produce the good and expect to make a profit. Increasing profits will lead firms to move resources into the market.

24.

Award: 10.00 points

Which of the following is true of a market economy?

- ☒ The price mechanism operates freely without any government intervention.
- ☐ Consumers are free to purchase all that they want at the price established by the government.
- ☐ Most of the productive resources in the economy are owned and operated by government agencies.
- ☐ A central agency collects data on consumer preferences and allocates resources accordingly.

In a market economy, the price mechanism operates freely and there is no government intervention.

25.

Award: 10.00 points

The essential difference between a command economy and a market economy lies in _____.

- ☐ consumption patterns
- ☒ resource ownership
- ☐ natural endowments
- ☐ demographic features

In a command economy, the government owns most of the resources while in a market economy, the majority of the resources are owned by private individuals.

26.

Award: 10.00 points

The advantage that a market economy has over a planned economy is the _____.

- ☐ structured approach towards the development of infrastructure
- ☐ efficient provision of public and merit goods
- ☐ absence of the price mechanism
- ☐ efficient exchange of information between consumers and firms

The collection of information required for effective planning is very complicated and costly within a command economy, especially when compared with the simple and efficient exchange of information in the market economy through the pricing system.

27.

Award: 10.00 points

In country X, goods like bread and milk are provided by the market while healthcare is provided by the government. In other words, country X is a _____.

- ☐ market economy
- ☐ command economy
- ☐ mixed economy
- ☐ democratic republic

Many economies function as an amalgam of planned and market economies – a mixed economy. For example, the sale of groceries is a purely market solution while the government provides public health care.

28. Award: 10.00 points

The size of _____ as a percentage of gross domestic product can be used to measure the planned side of an economy.

- ☐ private investment
- ☒ government expenditure
- ☐ the money supply
- ☐ foreign direct investment

A means of measuring the planned side of the economy is to examine the size of government expenditure as a percentage of gross domestic product (GDP).

29. Award: 10.00 points

The assumption that firms are profit-maximizers is a simplification because:

- ☐ firms are only interested in maximizing revenue.
- ☐ firms do not mind high employee attrition rates.
- ☒ different groups within a firm have different interests.
- ☐ firms need not pay high dividends to shareholders.

The assumption that firms are profit-maximizers is clearly a simplification. Firms represent a collection of workers, managers, shareholders, and consumers. Each of these groups may have a different interest within the firm.

30.

Award: 10.00 points

Other things remaining unchanged, which of the following are likely to increase a firm's profits?

- ☒ An increase in the market price for its product.
- ☐ An increase in the salaries paid to employees.
- ☐ An increase in the dividends paid to shareholders.
- ☐ An increase in the cost of capital.

When a firm's revenues are enhanced and costs reduced, a firm earns profits. An increase in the market price for its product will increase the firm's revenues.

31.

Award: 10.00 points

Other things remaining unchanged, which of the following is likely to reduce a firm's profits?

- ☐ An increase in the quantity of the good sold.
- ☐ An decrease in the tax rates.
- ☒ An increase in the costs of transportation.
- ☐ A decrease in the interest rate paid on loans.

When a firm's revenues are enhanced and costs reduced, a firm earns profits. An increase in the costs of transportation will increase the firm's costs and reduce profits.

32.

Award: 10.00 points

Which of the following is likely to be true in markets that are not highly competitive?

- ☐ The costs of production for a single firm are likely to be low.
- ☒ The level of price competition is likely to be less severe.
- ☐ It is likely that there is a large number of firms in the market.
- ☐ The profits earned by firms in this market is likely to be low.

In highly competitive business environments prices will fall, while in low competitive environments price competition will be less severe.

33.

Award: 10.00 points

Suppose that in the production of good X, a significant quantity of pollution is generated. The government is likely to _____.

- ☐ provide subsidies to firms that produce good X
- ☐ restrict imports of good X
- ☐ set a minimum price below which good X cannot be sold
- ☒ impose taxes on good X

The government can seek to influence firms' costs and revenues, reducing profits when firms operate against the public interest. This usually involves increased taxes.

34.

Award: 10.00 points

Which of the following is an example of a macroeconomic factor that affects a firm's profits?

- ☒ The economy is hit by a recession.
- ☐ A new firm enters the market and the market price falls.
- ☐ The firm acquires a key input supplier.
- ☐ The firm undertakes a massive advertising campaign to increase sales.

A recession is an example of a macroeconomic factor that can affect a firm's profits.

35.

Award: 10.00 points

How is an increase in taxes likely to affect a firm's profitability?

- ☐ A higher tax rate will lead to lower revenues and profits.
- ☐ An increase in the tax rate will increase the demand for the firm's products.
- ☒ A higher tax rate increases costs and lowers profits.
- ☐ With a higher tax rate, the market price of the good is likely to fall.

A higher tax rate increases the firm's costs of production and lowers profits.

36.

Award: 10.00 points

Which of the following statements is true?

- ☐ Firms that maximize revenues are likely to be profitable, irrespective of their costs.
- ☒ Many firms operate internationally to gain access to newer markets and revenue streams.
- ☐ Competition in the domestic market reduces when foreign firms enter the market.
- ☐ Governments should provide grants to firms that produce goods that generate pollution.

Operating internationally may enable a firm to source cheaper production or access new markets and revenue streams.

37.

Award: 10.00 points

The economy's access to skilled and productive labour can be measured by examining data on _____.

- ☐ the number of males and females in the adult labour force
- ☐ the absolute size of the population
- ☐ the number of people who are between the ages of 16 to 60 in the country
- ☐ the number of individuals gaining a university-level education

Statistics on the number of individuals gaining a university-level education may indicate the economy's access to skilled and productive labour.

38.

Award: 10.00 points

An economy is said to be well-endowed with capital if it has _____.

- ☐ large tracts of agricultural land
- ☐ rigid labour laws
- ☐ well-developed infrastructure
- ☐ a large population

The capital endowment of the economy is assessed by looking at the level of commercial, public and household infrastructure.

39.

Award: 10.00 points

The economy's ability to provide financial support to business and enterprise is measured by _____.

- ☐ the total quantity of land under housing
- ☐ the numbers of individuals with a basic education
- ☐ well-functioning stock markets and banking sectors
- ☐ the number of international airports

The extent to which well-functioning stock markets and banking sectors are developed provide an indication of the economy's ability to provide financial support to business.

40.

Award: 10.00 points

Which of the following is likely to happen as economies grow faster?

- ☐ A fall in expenditure on research and development.
- ☐ A movement away from an agrarian economy.
- ☐ A decline in the levels of power consumption.
- ☐ A fall in the provision of financial credit.

Since agriculture is a low-adding activity that does not generate lots of economic wealth, economies move away from agriculture as they become industrialized.

41.

Award: 10.00 points

Knowledge-based economies are likely to spend more on _____.

- ☐ agricultural loans
- ☒ research and development
- ☐ unemployment benefits
- ☐ social security payments

The move towards more knowledge based economies can be seen with an increase in research and development (R&D) expenditure, highlighting the importance of scientific knowledge as an economic resource.

42.

Award: 10.00 points

A country that is heavily reliant on capital machinery in the production process will have _____.

- ☐ a relatively higher proportion of land being used for agriculture
- ☐ a relatively larger absolute population size
- ☐ relatively low levels of power consumption
- ☒ a relatively lower labour participation rate

A lower labour participation rate could show that there is a greater use of non-labour resource, e.g. capital machinery in the production process.

43.

Award: 10.00 points

Which of the following is likely to be true of an economy that has a very high labour participation rate?

- ☐ There is a high level of unemployment in the economy.
- ☐ The levels of literacy in the economy are likely to be low.
- ☒ The economy is likely to be highly reliant on labour to generate economic growth.
- ☐ The economy has a large working age population.

The labour participation rate measures the percentage of those in the working age group who are employed. A high labour participation rate could reflect the economy's reliance on labour to generate economic growth.

44.

Award: 10.00 points

An economy is considered energy-intensive if _____.

- ☐ its annual consumption of energy is low
- ☐ it exports more energy than it uses
- ☐ it does not import or export energy
- ☒ it is very reliant on energy imports

An economy is considered energy-intensive if it is very reliant on energy resources from other economies.

45.

Award: 10.00 points

Which of the following is true of an economic model or theory?

- ☐ Since models do not contain all the complexities of the real world, they are not an effective tool of analysis.
- ☒ Models are a simple analysis of the central, or essential, issues pertaining to an economic problem.
- ☐ Economic models and theories are normative in nature.
- ☐ The use of economic models complicates the analysis of simple economic problems.

In an economic model, the complexity of the real world is stripped out in favour of a simple analysis of the central, or essential, issues.

46.

Award: 10.00 points

Models are useful to economists in their analysis because models _____.

- ☐ use terms and phrases that are particular to economics
- ☐ are normative in nature
- ☒ help organize and clarify the thought process behind a problem
- ☐ incorporate all the complexities of a real-world economy

Models or theories are frameworks for organizing how we think about an economic problem.

47.

Award: 10.00 points

Economists make abstract assumptions about reality in theories and models in order to _____.

- ☐ provide a precise and accurate explanation of behavior
- ☒ simplify the real world and predict behavior
- ☐ assert and represent particular beliefs
- ☐ incorporate all the details of real-world economic problems

Economists try to keep things simple and extract only the important points for analysis. The predictive approach is a theoretical short cut that enables economists to simplify the complex nature of reality.

48.

Award: 10.00 points

Which of the following is a normative statement?

- ☐ British society is becoming increasingly multicultural.
- ☐ The American economy faced a subprime mortgage crisis in 2007-08.
- ☐ According to Office for National Statistics in March 2015 the employment rate in UK was 73.3%.
- ☒ The government should provide every citizen with a minimum level of income.

Normative economics is different from positive economics in that it seeks to assert and represent particular beliefs – which are difficult, if not impossible, to provide positive answers to. It is difficult to decide whether the government should provide every citizen with a minimum level of income.

49.

Award: 10.00 points

As a subject, positive economics _____.

- ☒ is the technical and objective pursuit of economic understanding
- ☐ seeks to assert particular beliefs based on religion, race and economic background
- ☐ attempts to provide solutions to questions that are difficult to answer
- ☐ studies questions that are value laden and subjective

Positive economics studies objective or scientific explanations of how the economy works.

50.

Award: 10.00 points

Which of the following is true of normative economics?

- ☐ It is an objective method of analysis that is based on facts.
- ☒ It prescribes policies based upon personal value judgments.
- ☐ It is a scientific approach to the study of economic events.
- ☐ It is based on a technical understanding of economic problems.

Normative economics states things as they should be. As such, it is highly subjective and prescribes policies based upon personal value judgments.

51.

Award: 10.00 points

Suppose that a positive relationship exists between two variables x and y . This means that _____.

- ☐ a change in x will not cause a change in y
- ☐ as the value of x increases, the value of y decreases
- ☒ as the value of x increases, the value of y also increases
- ☐ both x and y change at the same rate

A positive relationship exists between two variables if the values for both variables increase and decrease together.

52.

Award: 10.00 points

Given an equation $Q = 20 - 3P$, which of the following statements is likely to be true?

- ☐ A plot of the equation will result in a graph with a positive slope.
- ☐ A positive relationship exists between P and Q.
- ☒ Every time P increases by one unit, Q falls by three units.
- ☐ P and Q exhibit a non-linear relationship.

The general linear relationship states that $Y = a + bX$, where a is the intercept and b is the gradient of the line. In the above equation, the value of Q is 20 when P is 0. For every increase of P by one unit, Q falls by three units; the negative relationship between the two variables is given by the negative sign.

53.

Award: 10.00 points

Given the equation $B = 12 - 2A + X^2$, which of the following is likely to be true?

- ☐ The variables B and X exhibit a linear relationship.
- ☐ The intercept for the curve shown in the equation is 10.
- ☐ The given equation represents a hyperbola.
- ☒ A plot of the equation on a graph will show a U-shape.

A quadratic is generally specified as $Y = a + bX + cX^2$; in the above equation, the negative sign comes first, which causes the U-shaped relationship.

54.

Award: 10.00 points

Given the variables X and Y, which of the following ratios will give the gradient of a line in a graph?

- ☒ $\Delta Y/\Delta X$
- ☐ $\Delta X/\Delta Y$
- ☐ X/Y
- ☐ Y/X

The gradient measures the slope or steepness of a line. One method of measuring the gradient of a line is to calculate the ratio $\Delta Y/\Delta X$, where the symbol Δ means change.

55.

Award: 10.00 points

The differential of the equation $P = 10 + 3Q - Q^2$ is _____.

- ☐ $2 - 3Q$
- ☐ $3 + 2Q$
- ☒ $3 - 2Q$
- ☐ $2 + 3Q$

Differentiation involves a very simple rule: the differential of X^n is nX^{n-1} (and all constants become zeros). So in the above equation, 10 becomes 0; $3Q$ becomes $3 \times Q^{1-1} = 3$; and Q^2 becomes $2 \times Q^{2-1} = 2Q$. Therefore, the differential of $P = 10 + 3Q - Q^2 = 3 - 2Q$.

56.

Award: 10.00 points

For a non-linear curve, the gradient is equal to zero _____ of the curve.

- ☐ at the positively sloped portion
- ☐ at the negatively sloped portion
- ☒ at the turning point
- ☐ at the intercept

At the turning point of a curve the gradient is flat and therefore equal to zero.

57.

Award: 10.00 points

Which of the following is true of time series data?

- ☐ Time series data are used very infrequently in economic analysis.
- ☐ Time series data measures a variable for different individuals at a point in time.
- ☐ Time series data combines panel data with cross-sectional data.
- ☒ Time series data measures a given variable at different points in time.

Time series data are the measurements of one variable at different points in time.

58.

Award: 10.00 points

The weights assigned to the components in the Retail Price Index are based on _____.

- ☒ the importance of the component in the average household's consumption
- ☐ the retail prices of the goods
- ☐ past trends in the prices of the goods
- ☐ the total number of components that are used to compute the index

The Retail Price Index is an average of many individual product price indices. The average is weighted by the importance of the product within the average household's consumption.

59.

Award: 10.00 points

Suppose that the Retail Price Index is equal to 87 for 2015. If the base index (2012) had a value of 100, which of the following is likely to be true?

- ☐ On average, prices rose by 13 per cent since 2012.
- ☐ All prices fell by 13 per cent since 2012.
- ☐ All prices rose by 87 per cent since 2012.
- ☐ An average, prices fell by 13 per cent since 2012.

The Retail Price Index is an average of many individual product price indices. Thus, when the Retail Price Index is compared for two years with one year's index having base value of 100, then the change in the index is the average percentage change in prices between the two periods.

60.

Award: 10.00 points

For a given set of variables, the geometric mean is calculated by:

- ☐ adding the variables and then dividing the sum by n (n = the number of variables).
- ☐ finding the product of all the variables and then calculating the n th root.
- ☐ adding the variables and then calculating the n th root.
- ☐ finding the product of all the variables and then dividing by n .

The geometric average calculates the product of all the observations and then calculates the n th root.

61. Award: 10.00 points

Since every society faces unlimited human wants and limited productive resources, it must choose among alternative combinations of output.

- ☒ True
- ☐ False

Every society is endowed with limited productive resources. Since human wants are unlimited, society has to choose among alternative combinations of output which can be most efficiently produced with the available resources.

62. Award: 10.00 points

Land is a factor of production that is fixed in supply and cannot be produced.

- ☒ True
- ☐ False

The quantity of land in an economy is given. Since land cannot be produced, it is fixed in supply.

63. Award: 10.00 points

Labour is the factor of production that organizes other factors into productive business units.

- ☐ True
- ☒ False

Enterprise is the factor of production that brings land, labour and capital together and organizes them into business units that produce goods and services with the objective of making a profit.

64. Award: 10.00 points

An economy that is producing at a point under or above its production possibility frontier is functioning efficiently.

- ☐ True
- ☐ False

The production possibility frontier of an economy represents all the combinations of output that can be produced by employing all its resources fully. At any point on the frontier, the economy is functioning at its optimum efficiency.

65. Award: 10.00 points

If an economy is producing below its production possibility frontier, resources are fully employed.

- ☐ True
- ☐ False

The production possibility frontier of an economy shows all the combinations of output that can be produced by fully utilising all the economy's resources. Any point below the frontier shows unemployment of resources.

66. Award: 10.00 points

When an economy experiences economic growth, its production possibility frontier shifts outward.

- ☐ True
- ☐ False

In the long-run, continued economic growth will lead to an outward shift of an economy's production possibility frontier.

67.

Award: 10.00 points

For a student, the opportunity cost of attending college is the income that she gives up by going to class rather than working.

→ ☒ True

☐ False

Opportunity costs are the benefits forgone from the next best alternative. If a student attends college, she is forgoing the income that she could have earned, which becomes the opportunity cost of attending college.

68.

Award: 10.00 points

Microeconomics is the study of national output, employment and prices.

☐ True

→ ☒ False

Microeconomics places the focus of analysis on the behaviour of individuals, firms or consumers rather than looking at the economy as a whole.

69.

Award: 10.00 points

Macroeconomics is the study of the level of competition in a market and how firms compete against each other.

☐ True

→ ☒ False

Macroeconomics is the study of how the entire economy works whereas microeconomics places the focus of analysis on the behaviour of individuals, firms or consumers.

70.

Award: 10.00 points

In a market economy, the government sets an economic plan, typically for the next five years.

☐ True

→ ☒ False

In a planned economy, the government sets an economic plan, typically for the next five years.

71.

Award: 10.00 points

In a market economy, firms move resources into the production of goods for which consumers' willingness to pay is relatively low.

☐ True

→ ☒ False

Firms are likely to move their productive resources to the markets that present the greatest opportunities for profit. If consumers are willing to pay higher prices, then profits will increase.

72.

Award: 10.00 points

In a command economy, the majority of the resources are privately owned.

☐ True

→ ☒ False

In a command economy, the government is the major owner of the factors of production.

73. Award: 10.00 points

The process of collecting information needed for effective planning is very easy and efficient within a command economy.

- ☐ True
- ☒ False

The collection of information required for effective planning is very complicated and costly within a command economy, especially when compared with the simple and efficient exchange of information in the market economy through the pricing system.

74. Award: 10.00 points

Gross domestic product (GDP) is a measure of overall economic activity within an economy.

- ☒ True
- ☐ False

Gross domestic product (GDP) is a measure of overall economic activity within an economy.

75. Award: 10.00 points

Although there are diverse groups within a firm that may have different interests, it is fair to view firms as being primarily revenue-maximizing organizations.

- ☐ True
- ☒ False

Firms are viewed as profit-maximizing, rather than revenue-maximizing, organizations. Without profits, firms would find it difficult to survive financially.

76. Award: 10.00 points

A tax levied on firms that emit pollution is an example of government intervention in the market in public interest.

- ☒ True
- ☐ False

Society, or government, does not view excessive pollution of the environment as desirable. The government can seek to influence firms' costs and revenues, reducing profits when the firm operates against the public interest.

77. Award: 10.00 points

Globalization can reduce costs for firms, but can also result in increased competition.

- ☒ True
- ☐ False

Operating internationally may enable a firm to source cheaper production or access new markets and revenue streams. Equally, international firms can access the domestic market, leading to an increase in competition for the firm.

78. Award: 10.00 points

A country with a high level of research and development as a proportion of GDP is likely to be a knowledge-based economy.

- ☒ True
- ☐ False

Knowledge-based economies would require heavy investment in research and development, so a country with a high level of research and development as a proportion of GDP is likely to be a knowledge-based economy.

79. Award: 10.00 points

Agriculture is considered to be a high-value adding activity in a developed economy.

- ☐ True
- ☒ False

Agriculture is often viewed as a low value-adding activity within an economy and as such does not generate lots of economic wealth.

80. Award: 10.00 points

The labour participation rate for an economy shows the percentage of the total population that is employed.

- ☐ True
- ☒ False

The percentage of those in the working age group in employment is called the labour participation rate.

81. Award: 10.00 points

If an economy's imports of energy resources is low, it follows that its per capita consumption of energy must be low.

- ☐ True
- ☒ False

Even though North America has a very high per capita consumption of energy, it is self-reliant to a large extent for its energy requirements.

82. Award: 10.00 points

A high level of per capita electrical power consumption shows that the economy has a high power-producing capacity.

- ☒ True
- ☐ False

Electrical power consumption per capita does provide some evidence of the power-producing capacity of the economy.

83. Award: 10.00 points

Economic models incorporate the workings and complexity of the real world.

- ☐ True
- ☒ False

Economists recognize that the world is extremely complicated and, therefore, prefer to make models using simplifying assumptions. The complexity of the real world is stripped out in favour of a simple analysis of the central, or essential, issues.

84. Award: 10.00 points

A report that states that the government should reduce unemployment to 6% is an example of normative economics.

- ☒ True
- ☐ False

Normative economics states how things should be. The report states that the government should bring the unemployment rate down, which is an example of normative economics.

85. Award: 10.00 points

When a negative relationship exists between two variables, an increase in the value of one variable leads to a decrease in the value of the other variable.

- ☒ True
- ☐ False

While in a positive relationship, both the variables move in the same direction, in a negative relationship, the variables move in opposite directions.

86. Award: 10.00 points

In the equation for a straight line $Y = a + bX$, b is the value of the intercept.

- ☐ True
- ☒ False

In the equation for a straight line $Y = a + bX$, a is the value of the intercept; it gives the value of Y when X is 0.

87. Award: 10.00 points

The gradient of a line is given by the differential of the equation for the straight line.

- ☒ True
- ☐ False

The value of the differential of the equation for a straight line gives the gradient of the line.

88. Award: 10.00 points

Cross-sectional data are the measurements of one variable at different points in time across different individuals.

- ☐ True
- ☒ False

Cross-sectional data are the measurements of one variable at the same point in time across different individuals.

89. Award: 10.00 points

Index numbers are used to create data series that are unitless.

- ☒ True
- ☐ False

Index numbers are used to create data series that are unitless. They have a base year of 100 and can be used to calculate percentage changes from the base year with ease.

90. Award: 10.00 points

When analyzing rates of growth, using the geometric mean leads to problems with compounding.

- ☐ True
- ☒ False

When measuring growth, the use of arithmetic means would create a compounding problem. The geometric mean solves this problem.

91. Award: 10.00 points

What does economics study?

Economics is the study of the allocation of scarce resources so that society's unlimited needs or wants are satisfied in the best possible manner. Scarcity implies that while human wants are infinite, resources that can be used to meet those wants are finite. The problem of scarcity makes it necessary for every society to decide about what is to be produced, how and for whom.

92. Award: 10.00 points

What are opportunity costs?

Opportunity cost can be defined as the benefits forgone from the next best alternative. For example, suppose that an economy has sufficient resources to produce one unit of good X or 2 units of good Y. The opportunity cost of producing an extra unit of good X is what must be given up in order to produce it, i.e. 2 units of good Y.

93. Award: 10.00 points

Explain the difference between microeconomics and macroeconomics.

Microeconomics is the study of the behaviour of individual economic agents such as firms and consumers. Often firms are assumed to take decisions in order to maximize profits. Similarly consumers are assumed to make purchasing decisions in the attempt to maximize their utility. Macroeconomics is the study of the economy as a whole. For example, macroeconomics studies the productivity, the level of unemployment and inflation of an economy.

94.

Award: 10.00 points

Why is it important for firms to understand the functioning of markets?

Firms operate in market environments. They use markets to acquire resources and market systems to sell their products or services. Understanding the functioning of markets is vital for firms in order to be profitable and successful. Firms need to identify rivals and the degree of competition, consumers' needs and willingness to pay. In addition firms need to understand the legal and regulatory frameworks (e.g. tax systems, minimum quality standards, etc.) that form the background within which each market operates.

95.

Award: 10.00 points

Explain how the quantity and quality of resources in a region play a role in determining the nature of business that it attracts.

To operate and be profitable, firms require factors of production. If factors of production are cheap, abundant and high-quality, the economy will attract business. The quality and availability of resources may determine the type of business in a region. If cheap and high quality labour is available in a region, it is reasonable to expect labour-intensive firms to be attracted. Similarly, a region with a large capital endowment (infrastructure) will attract capital-intensive firms. At the same time, operating internationally may enable a firm to source cheaper production or access new markets and revenue streams.

96.

Award: 10.00 points

What is meant by a factor of production? List the factors of production.

Factors of production are inputs and resources that firms need to acquire (at a price) in order to be able to produce a good or service. Typical factors of productions in economics are Land, Labour, Capital and Enterprise. Land is where raw materials like oil, gas, base metals and other minerals come from. Labour is the human input (workers, managers etc) into the production process. Capital is given by physical goods used to produce other goods and services. Finally entrepreneurs provide the initial ideas.

97.

Award: 10.00 points

Use a production possibility frontier to show how resources can be allocated in an economy.

The production possibility frontier shows the maximum number of products that can be produced by an economy with a given amount of resources. If a society moves along its production possibility frontier, then it must be giving up more and more of some goods to produce other goods. This is because the production possibility frontier shows the various combinations of output that can be produced by an economy with a given amount of resources. If there are unemployed factors in an economy, it means the economy is at a point below the production possibility frontier. Hence, putting these factors to work will shift the economy towards the frontier. Any point beyond the production possibilities frontier cannot be attained, given society's current level of resources and production technology. It can be attained in the long run when an economy increases its productive capacity. The production possibility frontier's negative slope exhibits increasing opportunity costs because more and more goods on the X axis have to be given up to increase the production of goods on the Y axis by equal amounts. A point under the production possibility frontier represents unemployment, which is likely to be associated with a recession.

98. Award: 10.00 points

Explain the difference between a planned, a market and a mixed economy.

A planned economy is one where the government owns the majority of resources and determines the allocation of resources. In a market economy, the price mechanism operates freely and there is no government intervention. If the minimum price at which firms are willing to sell is less than the consumers' maximum willingness to pay, then the potential for a market in the good exists. Firms can produce the good and expect to make a profit. Increasing profits will lead firms to move resources into the market. A mixed economy functions as an amalgam of planned and market economies. For example, the sale of groceries is a purely market solution while the government provides public health care.

99. Award: 10.00 points

State the general equation of a straight line. How is the gradient of a straight line calculated?

The general equation of a straight line is $Y = a + bX$, where a is the intercept and b is the gradient of the line. The gradient measures the slope or steepness of a line. One method of measuring the gradient of a line is to calculate the ratio $\Delta Y / \Delta X$, where the symbol Δ means change.

100. Award: 10.00 points

What are the advantages of using index numbers to analyze data?

Using index numbers makes comparisons between different levels of a particular variable easy to calculate, interpret and understand. Index numbers are used to create data series that are unitless. They have a base year of 100 and can be used to calculate percentage changes from the base year with ease. Taking the average of multiple indexes is sometimes useful in summarizing a particular economic trend. An example is the Retail Price Index which is an average of many individual product price indices. Thus, when the Retail Price Index is compared for two years with one year's index having base value of 100, then the change in the index is the average percentage change in prices between the two periods.