



FOR LOGO 0902822746



**ΦΗΓΟ**  
**ACADEMY**

O f f i c i a l T e l e g r a m C h a n n e l

MULTIPLE CHOICE QUESTIONS (1 pt each)  
CHOOSE THE BEST ANSWER FROM THE SUGGESTED OPTIONS AND WRITE  
THE LETTER OF YOUR CHOICE ONLY ON THE ANSWER SHEET.

1. The choice of proportion of labor and capital, and the type of technology used to produce a commodity refers to the question of:  
A) What to produce  
B) For whom to produce  
C) How to produce  
D) Where to produce  
E) B and D
2. Which one of the following is true about the circular flow of economic activity?  
A) Households buy goods and services in the product market  
B) Households incur expenditure in the factor market  
C) Firms represent the demand-side in factor market  
D) A and C are answers  
E) None of the above
3. The production possibility frontier (PPF) is downward sloping and concave to the origin. This implies:  
A) The concept of choice and scarcity  
B) The opportunity cost of a given commodity increases  
C) There is specialization in inputs  
D) All of the above  
E) A and B are answers
4. A capitalist system is characterized by  
A) Price mechanism and existence of negative externalities  
B) Coexistence of state and private property ownership  
C) Income redistribution by the government  
D) Balanced economic growth  
E) None
5. Decrease in input price and advancement of technology  
A) Will shift the demand curve inward  
B) Will shift the supply curve to the right  
C) Will shift the supply curve to the left  
D) Will shift the demand curve outward  
E) None

6. If X is a normal good and the average income of the consumers of commodity X increases, what will happen to equilibrium price and quantity of X, ceteris paribus?
- A) Equilibrium price increases while quantity decreases
  - B) Both equilibrium price and quantity increases
  - C) Equilibrium price decreases while quantity increases
  - D) Both equilibrium price and quantity decreases
  - E) None of the above
7. Reason/s for differences in price elasticity of demand is/are
- A) The nature of the good
  - B) Availability of substitutes
  - C) Adjustment time
  - D) All of the above
  - E) A and B are answers
8. If an economy moves from producing 10 metric tons of Wheat and 4 metric tons of Maize to producing 7 metric tons of Wheat and 5 metric tons of Maize, then the opportunity cost of producing one more metric ton of Maize is:
- A) 7                      B) 10                      C) 3                      D) 1                      E) None
9. One of the following results in a decrease in demand?
- A) An increase in income, if the good is normal.
  - B) A decrease in the price of a complement to the good.
  - C) An increase in the price of a substitute for the good.
  - D) An increase in the number of buyers
  - E) None of the above.
10. The sacrifice involved when you choose a particular course of action is called the:
- A) Alternative
  - B) Opportunity cost
  - C) Consumer cost
  - D) Producer cost
  - E) B and D
11. All of the following are features of mixed economic system except:
- A) Instability
  - B) Economic welfare
  - C) Red tapism
  - D) Economic planning
  - E) C and D



12. Suppose the price of good X increases. If X and Y are substitutes, then, in the market for good Y, we would expect, *ceteris paribus*

- A) An increase in both the equilibrium price and quantity.
- B) A decrease in the equilibrium price and an increase in the equilibrium quantity.
- C) An increase in the equilibrium price and a decrease in the equilibrium quantity.
- D) A decrease in both the equilibrium price and quantity.
- E) None of the above

13. In which instance will both the equilibrium price and quantity rise?

- A) When demand and supply increase, but the rise in demand exceeds the rise in supply.
- B) When demand and supply increase, but the rise in supply exceeds the rise in demand.
- C) When demand and supply decline, but decline in the demand exceeds the decline in supply.
- D) When demand and supply decline, but the decline in supply exceeds decline in the demand.
- E) C and D

14. Given a market demand function  $Q_D = 10 - 2P$  and a market supply function  $Q_S = 5 + 3P$ , answer question 14 and 15. What are the equilibrium price and the equilibrium quantity respectively?

- A) 5 and 1
- B) 8 and 1
- C) 1 and 5
- D) 1 and 8
- E) None of the above

15. What is the price elasticity of demand at the equilibrium point and its interpretation?

- A) 0.5 and inelastic
- B) 1.5 and elastic
- C) 0.25 and inelastic
- D) 0 and perfectly inelastic

16. The free market involves:

- A) Free provision of products by the state
- B) Subsidizing of products by the government
- C) Market forces of supply and demand
- D) All trade occurring via barter
- E) C and D

17. Which of the following statements is INCORRECT?

- A) Normal goods have positive income elasticity
- B) Inferior goods have negative income elasticity
- C) Luxury goods have high income elasticity of demand
- D) Necessity goods must also be inferior goods.
- E) None of the above



18. Economic growth is depicted by

- ☒ A) A shift in the production possibilities frontier outward.
- ☐ B) A movement from inside the curve toward the curve.
- ☐ C) A shift in the production possibilities frontier inward.
- ☐ D) A movement along a production possibilities frontier toward capital goods.
- ☐ E) A and B

19. One of the following determinants of demand causes the demand curve for a good to shift inward

- ☐ A) Increases in own price of the good
- ☐ B) Increase in income of the consumer if the good in question is inferior
- ☐ C) The consumer's expectation of higher price of the good in the future
- ☐ D) Decrease in price of the goods which are complement to the good in question
- ☐ E) Positive taste towards the product

20. Which of the following is not correct about the subject economics?

- ☐ A) Economics is the study of how people choose to use their scarce resources to satisfy their unlimited wants.
- ☐ B) Positive economics attempts to understand behavior and economic systems without making judgments whether the outcomes are good or bad.
- ☒ C) Normative economics relies on testable hypotheses while Positive economics relies on value judgments to evaluate or recommend alternative policies.
- ☐ D) Macroeconomics is the study of the aggregate economy as a whole.
- ☐ E) B and C

21. Which of the following is a positive statement?

- ☐ A) Taxes should be lower because then people get to keep more of what they earn, so they will work more
- ☐ B) My economics class should last for two terms because it is my favorite class
- ☒ C) A 10 percent increase in income leads to a 4 percent increase in the consumption of beef
- ☐ D) Given their negative impact on productivity, the government should eliminate labor unions
- ☐ E) C and D are answers

22. One of the following is not the features or advantages of mixed economic system?

- ☐ A) Provision of private property right
- ☐ B) Sovereignty of consumer and producer in a market
- ☐ C) Control of price by government of basic food items
- ☐ D) Unbalanced economic growth in different regions
- ☐ E) C and D are answers



23. Points outside the Production Possibility Frontier (PPF)

- ☒ A) Are efficient and attainable
- ☐ B) Are attainable but inefficient
- ☐ C) Can be made attainable through efficient utilization of existing resources and technology
- ☐ D) Are unattainable
- ☐ E) None of the above

24. Which one is correct when perfectly elastic demand curve shifts to the right with no change in perfectly inelastic supply curve?

- ☐ A) Price increases and quantity remain constant
- ☐ B) Both price and quantity increase
- ☐ C) Price remain same and quantity increase
- ☐ D) Price increase and quantity decrease
- ☐ E) None of the above

25. Macroeconomic topics include

- ☐ A) The impact of government regulation of automobile markets.
- ☒ B) Nationwide employment.
- ☐ C) Studying what factors influence the price and quantity of automobiles.
- ☐ D) Studying the determination of wages and production costs in the software industry
- ☐ E) A and B

26. Factors of production include all of the following EXCEPT \_\_\_\_\_

- ☐ A) Machines made in past years
- ☒ B) Money
- ☐ C) Any wheat field that is not irrigated
- ☐ D) Entrepreneurship
- ☐ E) Renewable resources

27. Suppose that the price elasticity of demand for cough syrup has been estimated at -0.5. If the quantity demanded increased by 10 percent, price must have changed by

- ☐ A) 5 percent lower.
- ☐ B) 5 percent higher.
- ☒ C) 10 percent lower.
- ☐ D) 10 percent higher
- ☐ E) cannot be determined from the given information

28. The discovery of a large new reserve of crude oil will shift the \_\_\_\_\_ curve for gasoline, leading to \_\_\_\_\_ equilibrium price.

- ☐ A) Supply, higher
- ☒ B) Demand, higher
- ☐ C) Supply, lower
- ☐ D) Demand, lower



29. When a society cannot produce all the goods and services people wish to have it is said that the economy is experiencing

- A) Scarcity
- B) Communism
- C) Externalities
- D) Market failure
- E) Inefficiency

30. When the price elasticity of demand is perfectly inelastic,

- A) The elasticity is zero and the demand curve is vertical
- B) The elasticity is zero and the demand curve is horizontal
- C) The elasticity approaches infinity and the demand curve is vertical
- D) The elasticity approaches infinity and the demand curve is horizontal
- E) None of the above

..... **END OF EXAM** .....