

SENIOR FIVE ECONOMICS TEST APRIL 2012

1. Scarcity, choice and opportunity cost are described as;

- a) The basic economic problems
- b) The basic economic questions
- c) The basic resource allocation factors
- d) The basic production and consumption factors

2. This is true about positive economic statements;

- a) They are subjective
- b) They cannot be tested
- c) They are not commonly applied
- d) They are factual

3. Composite demand is

- a) Demand for a commodity with many uses
- b) Total demand for a commodity with many uses
- c) Total demand for complementary goods
- d) Demand for many goods

4. is the union of two or more firms in the same industry and at the same level of production.

- a) Conglomerate merger
- b) Vertical merger
- c) Lateral merger

d) Horizontal merger

5. One of these may not be a reason for firms to merge in your country.

- a) To attain monopoly power
- b) To effectively exploit available resources
- c) To enjoy economies of scale
- d) To avoid high taxation

6. All these are demerits of a large subsistence sector in your country except;

- a) Low quality output
- b) Low economic growth rate
- c) Limited specialization
- d) Limited innovations
- e) Over exploitation of natural resources

7. At equilibrium, the firm's supply is 200 units of a commodity at 1000 SHS each, in a given market. What is the quantity of the commodity buyers in the market are willing to take at this price?

- a) 100 units
- b) 200 units
- c) 400 units
- d) 800 units

8. The desire for, backed by the willingness and ability to buy a commodity is what is referred to as;

- a) Personal demand
- b) Composite demand
- c) Effective demand

d) Comprehensive demand

9. More of such a good is demanded as one's income falls.

a) Normal good

b) Basic good

c) Inferior good

d) Demerit good

10. A planned economy is one defined as an economy where

a) The government owns and controls all available resources

b) The government has control of some of some of the available resources

c) The government allows freedom of enterprise in the economy

d) The private sector has all the control of the available resources but under government regulation

11. A mixed economy is one where;

a) The private and public sectors co-exist

b) The private sector has no say in allocating resources

c) The government privatizes the economy

d) The rich co-exist with the poor

12. Sarah decides to study economics for one hour instead of attending a basketball game. What concept is applied in this decision?

- a) Consumer surplus
- b) Opportunity cost
- c) The law of diminishing marginal utility
- d) Scarcity and choice

13. What is the opportunity cost of producing one unit of commodity X if, in order to increase production of commodity X from 20 units to 30 units, the firm has to reduce output of commodity Y from 50 units to 45 units?

- a) 0.5
- b) 5
- c) 10
- d) 2

14. The following is true for a normal demand curve; it is

- a) upward sloping from left to right
- b) downward sloping from left to right
- c) it is positively sloped
- d) it is regressive at the upper end

15. The following is NOT true for a price floor

- a) It is the legal minimum price
- b) It is set above the equilibrium price
- c) It protects producers
- d) It results in shortage in the market
- e) It encourages investment

16. When the demand for a commodity is price inelastic

- a) Total revenue and price of the commodity change in the same direction
- b) Total revenue and price of the commodity change in the opposite direction
- c) Quantity demanded is highly responsive to price changes
- d) Price is not highly responsive to quantity demanded

17. Goods which are substitutes for one another have

- a) positive cross elasticity of demand
- b) negative cross elasticity of demand
- c) infinite cross elasticity of demand
- d) zero cross elasticity of demand

18. production efficiency is achieved when

- a) firms produce any level of output at the lowest possible cost
- b) firms produce what consumers need
- c) firms sell at the lowest possible price
- d) firms produce high quality goods

19. Long-run average cost curves are normally U-shaped. They slope down at first due to;

- a) economies of scale
- b) diseconomies of scale
- c) the law of increasing costs
- d) external economies

20. A firm making space-crafts estimate that whenever it doubles labour, capital and any other inputs in the long run, its output also doubles. This concept is what is known as;

- a) constant returns to scale
- b) increasing returns to scale
- c) decreasing returns to scale
- d) economies of scale

-----Key-----

- 1. (a)
- 2. (d)
- 3. (b)
- 4. (d)
- 5. (d)
- 6. (e)
- 7. (b)
- 8. (c)
- 9. (c)
- 10. (a)
- 11. (a)
- 12. (b)
- 13. (a)
- 14. (b)
- 15. (d)
- 16. (a)
- 17. (a)
- 18. (a)

19. (a)

20. (a)