

Microeconomic decision makers

O level multiple choice and answers

Money and banking

What would be **least** likely to act as a store of value during a period of rapid inflation?

- A** cash
- B** gold
- C** property
- D** shares

February/March 2019 Answer **A**

Which statement about financial matters is correct?

- A** Commercial banks' main activity is the finance of international trade.
- B** Paper banknotes possess all the desirable properties needed to act as money.
- C** Stock exchanges trade mainly in second-hand stocks and shares.
- D** The central bank acts as the lender of last resort to companies facing bankruptcy.

May/June 2017 Answer **C**

What is a function of a stock exchange?

- A** It allows company shares to be traded.
- B** It enables tourists to purchase foreign currency.
- C** It provides a market for firms to sell their products.
- D** It sets the rate of interest in an economy.

February/March 2018 Answer **A**

Households

The table shows how three people (X, Y and Z) spend their income.

	person X	person Y	person Z
food, clothing and housing	30%	25%	50%
entertainment and leisure	35%	35%	25%
luxury goods	35%	40%	25%

For these three people, what is the **most** likely order of income, from lowest income to highest income?

- A. $Y \rightarrow X \rightarrow Z$
- B. $Y \rightarrow Z \rightarrow X$
- C. $Z \rightarrow X \rightarrow Y$
- D. $Z \rightarrow Y \rightarrow X$

February/March 2019 Answer C

This table shows how three people spend their income.

	person X	person Y	person Z
food and housing	60%	20%	30%
travel and leisure	20%	40%	30%
luxury goods	20%	40%	40%

Put the three people in the most likely order of income from the lowest to the highest income.

- A X,Y,Z
- B X,Z,Y
- C Y,Z,X
- D Z,Y,X

March 2017 Answer B

Workers

In South Africa, the number of skilled workers is relatively low. However, average wages in South Africa are double the average wage in Brazil and Turkey and they are 1.6 times higher than in Malaysia.

What may be concluded from this information?

- A** Malaysian workers are more skilled than South African workers.
- B** Prices in South Africa are double those in Brazil.
- C** South Africa's labour productivity is low.
- D** South African trade union bargaining power is strong.

May/June 2017 Answer D

What is most likely to be used to support a claim for wage increases in an industry?

- A** a decrease in the industry's sales
- B** a decrease in the need for specialist training
- C** an increase in cheap imports of a rival product
- D** an increase in wages in a similar industry

May/June 2017 Answer C

What is a direct benefit to a worker of specialisation?

- A** the higher output that may lead to higher earnings
- B** the higher output that may lead to higher profits
- C** the higher output that may lead to lower costs per unit produced
- D** the longer training period that is required before starting work

February/March 2018 Answer A

Why are some assembly workers poorly paid?

A because their work is exhausting

B because their work is repetitive

C because their work is unskilled

D because they work long hours

March 2017 Answer C

When is a firm most likely to reduce its demand for labour?

A when the demand for the final good
increases

B when the firm's profitability increases

C when the price of labour decreases

D when the productivity of labour decreases

March 2017 Answer D

Trade unions

A trade union succeeds in raising the wages in an industry above the equilibrium wage.

How would the demand and supply of labour change?

	change in quantity of labour demanded	change in quantity of labour supplied
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

February/March 2018 Answer B

Firms and production

To achieve horizontal integration, a firm producing tyres could merge with another firm producing

- A** motor cars.
- B** rubber.
- C** tyre-producing machinery.
- D** tyres.

May/June 2017 Answer **D**

When will a firm maximise its profits?

- A** when it excludes a rival supplier from the market
- B** when it produces where average cost and average revenue are equal
- C** when it sells as many products in as many different markets as it can
- D** when the difference between total cost and total revenue is greatest

February/March 2019 Answer **D**

The high volume of goods sold by large supermarkets enables them to reduce prices, but the most important advantage that these businesses have is that they can sell non-food items as well as food.

Which economic results does the statement suggest are available to large supermarkets?

- A** economies of scale and diversification
- B** external benefits and specialisation
- C** horizontal integration and optimum output
- D** increased sales and diminishing returns

March 2017 Answer A

Firms' costs, revenue and objectives

Which costs will necessarily fall continuously as output increases?

- A** average fixed costs
- B** average variable costs
- C** opportunity costs
- D** repayment costs of borrowing

May/June 2017 Answer A

The table shows the costs of a firm.

units of output	variable costs (\$)	total costs (\$)
10	20	80
20	50	110
30	80	140
40	110	170

What is the value of the firm's fixed costs?

A \$20

B \$30

C \$60

D \$80

February/March 2019 AnswerC

A firm's average revenue is \$10. It sells 2000 units.

What is the firm's total revenue and the price of the product?

	total revenue (\$)	price (\$)
A	10	10
B	2 000	200
C	20 000	10
D	20 000	200

AnswerC

February/March 2019

The table shows some of the costs of running a retail shop in one week.

	\$
rent of shop	200
insurance premium	40
purchase of stock	700
delivery of goods	50

What are the total fixed costs during this week?

- A** \$200 **B** \$240 **C** \$700 **D** \$750

February/March 2018 AnswerB

A company's annual report suggested that it had benefited from some changes. Which change is an internal economy of scale for this company?

- A** an improvement in road and rail facilities that has reduced its distribution costs
- B** an increase in the number of local specialist workers that it could recruit
- C** the introduction of new training at a local college for which staff have enrolled
- D** the reduction in the company's costs by the purchase of a factory supplying components

February/March 2018 AnswerD

Market structure

A monopoly takes over an industry from competitive firms.

What is **not** likely to be true about a monopoly compared with a competitive firm?

- A** A monopoly will earn a higher rate of profit.
- B** A monopoly will gain a greater share of the market.
- C** A monopoly will offer a wider choice to the consumer.
- D** A monopoly will operate on a larger scale of production.

May/June 2017 Answer **C**

12 A firm's aim is to become a monopoly supplier.

Which policy is it most likely to use to eliminate competition?

- A** adopt price reductions and advertising
- B** avoid diseconomies of scale
- C** maximise output and profit
- D** reduce financial barriers to entry

March 2017 Answer **A**

