

The allocation of resources

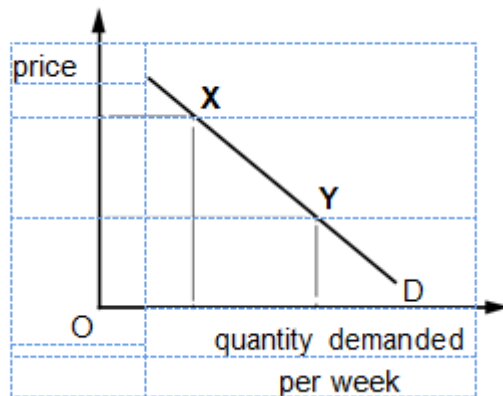
Multiple Choice Questions and Answers (O level)

In 2015 there was a significant fall in the world price of petrol (gasoline). What would **not** have been a cause of the price fall?

- A** the continuing global recovery from the world economic recession
- B** the increasing exploitation of US oil reserves
- C** the re-entry of Iranian producers to the world oil market
- D** the shorter journeys from using the new Suez Canal

May/June 2017 AnswerA

The diagram shows the demand for chocolate.



What could cause the movement from point **X** to point **Y**?

- A** a change in tastes
- B** a fall in the price of chocolate
- C** an increase in income
- D** a successful advertising campaign for chocolate

May/June 2017 AnswerB

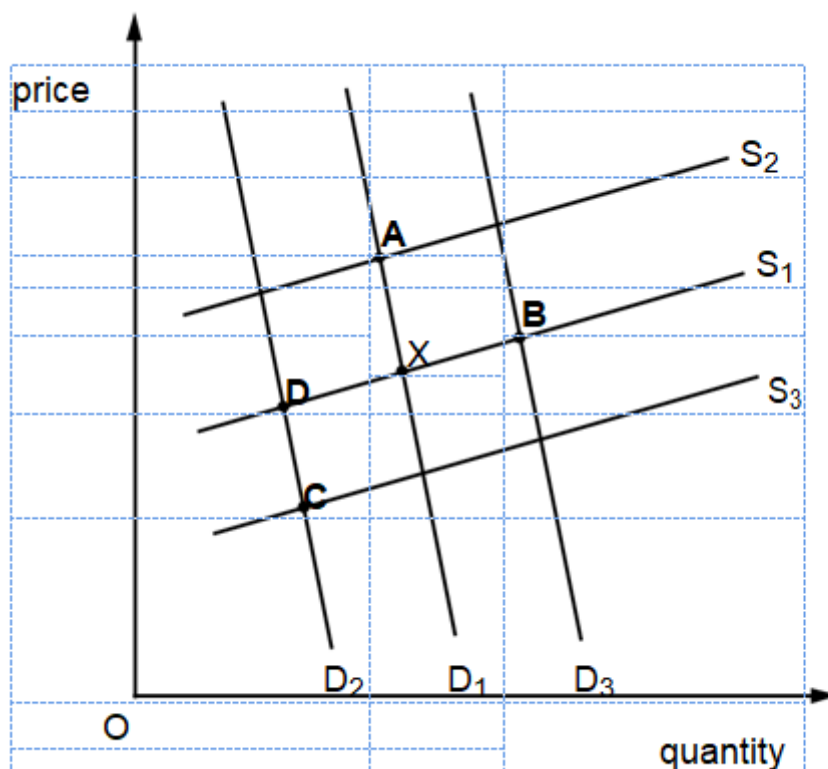
What is meant by the equilibrium price in the market for a good?

- A** the average price paid by consumers
- B** the price at which maximum profit is made
- C** the price at which the producer breaks even
- D** the price at which the supply and demand curves intersect

February/March 2019 Answer **D**

The diagram shows the market for oil. The initial equilibrium is X.

If the quantity of oil sold increased by two million barrels a day, which point represents the new equilibrium?



February/March 2018 Answer **B**

Price elasticity of demand (PED)

A product has a price elasticity of demand that is greater than one.

What will happen to total revenue if the price of the product is reduced by 3%?

A It will fall by more than 3%.

B It will fall to zero.

C It will be unchanged

D It will rise.

March 2017 Answer D

The table shows the demand for chocolates at two different prices.

price \$	quantity demanded
0.50	400
0.45	480

What is the price elasticity of demand when the price falls from \$0.50 to \$0.45?

E less than 0.5

F between 0.5 and 1

G between 1 and 1.5

H greater than 1.5

February/March 2018 Answer D

Price elasticity of supply (PES)

In response to an increase in price from \$5 per kilo to \$6 per kilo a chicken farmer increased supply from 400 kilos to 500 kilos per week.

What is the price elasticity of supply?

- A** 0.8 **B** 0.9 **C** 1.2 **D** 1.25

May/June 2017 Answer D

The table shows the effect of a change in the market price from \$5 to \$6 on the supply of mobile (cell) phones.

price (\$)	supply (units)
5	10 000
6	15 000

Which statement about the price elasticity of supply of mobile phones is correct?

- A** Price elasticity of supply is 0.4.
B Price elasticity of supply is 2.5.
C Supply is perfectly elastic.
D There is unit elasticity.

Answer B

February/March 2019

Market economic system

In a market system who has the **most** important role in influencing the allocation of resources?

- A** consumers
- B** entrepreneurs
- C** government officials
- D** producers

February/March 2018 Answer A

Market failure

A bee-keeper maintains hives of bees to produce honey. The bees can pollinate neighbours' fruit trees but also give a painful sting to gardeners.

If both of these events occur, how will costs and benefits be affected?

- A** External benefits will fall and social costs will fall.
- B** External costs will rise and social benefits will fall.
- C** Social costs and social benefits will fall.
- D** Social costs and social benefits will rise.

May/June 2017 Answer D

What can be found in a market economy?

- A** externalities and monopolies
- B** interest rates and public goods
- C** public corporations and market prices
- D** tax rates and commercial banks

February/March 2019 Answer A

