

The basic economic problem

Multiple Choice Questions and Answers (O level)

The factors of production

A person bought a shop and stocked it with fresh fruit. He employed one member of his family to help in the shop.

Which factors of production have been used?

- A labour and capital only
- B labour, capital and enterprise only
- C land and labour only
- D land, labour, capital and enterprise

March 2017 Answer D

What is an example of the purchase of a capital good?

A a farm owner purchasing additional land

B a farm owner purchasing a television

C a farm owner purchasing a tractor

D a farm worker purchasing some seeds

February 2018 Answer C

The nature of the economic problem

What **best** describes the problem of scarcity?

A All consumer wants must be satisfied.

B All resources are free at the point of use.

C There are limited resources and unlimited wants.

D There are unlimited resources and limited wants.

February 2018 Answer C

Opportunity cost

Heavy rain caused floods in an area of a country.

What may be an opportunity cost of repairing the damage caused?

- A** the allocation of government funds to the area instead of on a new airport
- B** the cost of providing shelter for those made homeless
- C** the decline in the tourist industry in the area
- D** the loss of profits from businesses affected by the flood

May 2017 Answer A

A student decides to buy a ticket for a concert instead of buying a new shirt. What is the opportunity cost of buying the ticket?

- A** the concert
- B** the price of the ticket to the concert
- C** the shirt
- D** the time spent purchasing the ticket

February/March 2018 Answer C

A farmer reduces the land used to grow wheat from 80 hectares to 60 hectares and increases the use of the land for growing potatoes from 80 to 100 hectares.

What is the opportunity cost of this change?

A The output from 20 hectares used for growing potatoes.

B The output from 20 hectares used for growing wheat.

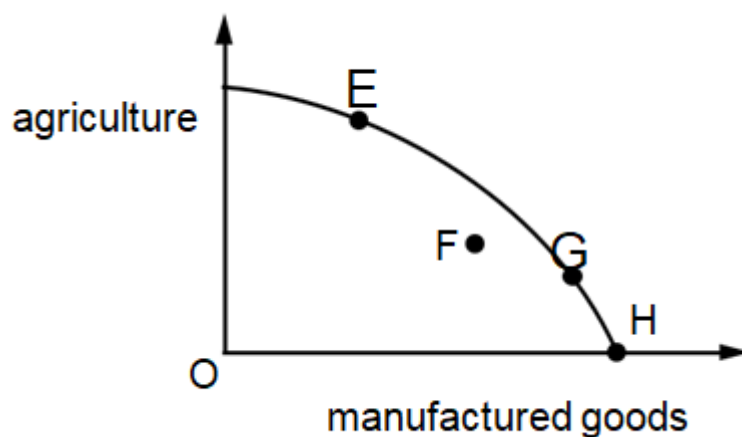
C The output from 60 hectares used for growing wheat.

D The output from 80 hectares used for growing potatoes.

February/March 2019 Answer B

Production possibility curve diagrams (PPC)

The diagram shows a production possibility curve for a country. As a result of an increase in demand for manufactured goods it moves from a situation of unemployment to full employment.

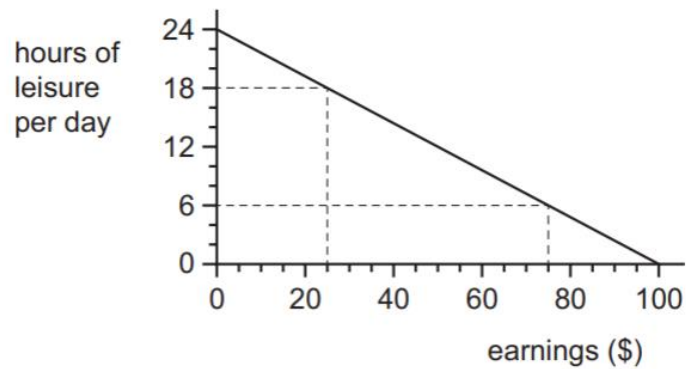


How would this be represented on this diagram?

- A by a movement from E to G
- B by a movement from F to E
- C by a movement from F to G
- D by a movement from G to H

March 2017 Answer C

The diagram shows the choices for an individual between leisure and earnings. He currently earns \$25 a day.



12

What is the opportunity cost for the person if he accepts more work and earns \$75 a day?

- A \$25
- B \$50
- C 6 hours of leisure a day
- D 12 hours of leisure a day

March 2017 Answer D

