

THEORY PROGRAM

FORTNIGHTLY REVIEW [FNR]

FNR: 01

Issued on: 11/12/2021

AL - 2023

Due on: 25/12/2021

ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.

Part – [A]

(01) The branch of economics that studies how decisions of all economic agents are interconnected, and impact all economic agents is called

- (1) Macroeconomics. (2) Microeconomics (3) Positive economics.
 (4) Normative economics. (5) Home economics.

(02) Which one of the following is a positive statement ?

- (1) Economists classifying economic resources as land, labour, capital and entrepreneurship is too broad, thus a wrong approach.
 (2) A fully organic agriculture policy is good.
 (3) The government should charge high taxes from multinational corporations
 (4) An unequal distribution of resources is unfair.
 (5) Economies have limited resources to satisfy unlimited wants.

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

- (1) High inflation.
 (2) Relative scarcity.
 (3) Effects of communism.
 (4) Externalities in production.
 (5) Market failure.

(04) Economics deals primarily with the central problem of

- (1) Absolute Scarcity of Resources
 (2) Relative Poverty.
 (3) Hyper Inflation.
 (4) Relative Scarcity of Resources.
 (5) Globalization.

(05) Something is fundamentally scarce as long as,

- (1) There is a price that the market puts on the item.
- (2) There is no freely available infinite source of the item.
- (3) The government provides it.
- (4) The market provides it.
- (5) Someone owns it.

(06) The combination of scarcity and alternative uses essentially means that people must,

- (1) Engage in trading.
- (2) Face competition
- (3) Face a shortage
- (4) Face a trade-off
- (5) Persevere

(07) The term used to emphasize that making choices in the face of scarcity involves a cost is;

- (1) Sunk cost.
- (2) Opportunity cost.
- (3) External cost.
- (4) Accounting cost.
- (5) Marginal cost

(08) An economic good is one which

- (1) Sometimes uses limited resources in production.
- (2) Is supplied competitively.
- (3) Makes a profit.
- (4) Is available even at a zero price, when it is in supply.
- (5) Has an opportunity cost in production.

(09) Some goods are excludable. What is meant by this?

- (1) The government is excluded from providing that good.
- (2) Nonpayers can be excluded from receiving the benefit.
- (3) The good is consumed exclusively by the private sector.
- (4) Certain supplies can be excluded from providing that good.
- (5) The good is a food item that is excluded from taxation.

(10) Assume an apple is a private good, the apple is,

- (1) Rival in consumption and excludable.
- (2) Non rival in consumption and excludable.
- (3) Rival in consumption and non-excludable
- (4) Non rival in consumption and non-excludable.
- (5) None of the above combinations.

(11) A basic requirement for survival is a(n),

- (1) Choice.
- (2) Need.
- (3) Want.
- (4) Opportunity cost.
- (5) Paradox of value.

(12) Making choices in an economy is fundamental because;

- (1) Prices are always rising.
- (2) Provisions must be made for the future.
- (3) Supply of money is unrestricted.
- (4) Wants are many and resources are scarce, with alternative uses.
- (5) Investments must yield profits.

(13) Microeconomics deals with which of the following?

- (1) The total output of an economy.
- (2) The measurement of a nation's inflation rate.
- (3) How producers and consumers interact in individual markets.
- (4) How tax policies influence economic growth.
- (5) Whether wage growth will outpace inflation in the coming year.

(14) A free good has which one of the following characteristics?

- (1) It has some degree of scarcity in relation to demand.
- (2) It has no opportunity cost in supply.
- (3) Its consumption or production does not generate any externality.
- (4) It is supplied by the government free of charge.
- (5) It is supplied by the government itself because its consumption is socially desirable.

(15) Something is generally considered to be a public good in economics if;

- (1) The private sector could provide the service more efficiently.
- (2) The benefit of the good are greater for the government than for the society.
- (3) The total benefit to society is equal to the total financial cost.
- (4) Tax payers demand that the government provide them, even though all in society benefit from them.
- (5) All of the above.

(16) A resource,

- (1) Must come from the earth.
- (2) Only includes physical things.
- (3) Is anything that we consume directly or use to produce things for consumption.
- (4) Can only be used to produce things we will ultimately consume.
- (5) Both (1) and (3)

(17) Identify the incorrect type of good.

- (1) Streetlights - Public Goods
- (2) Education – Merit Goods
- (3) Medicine - Private Goods
- (4) National Defense - Public Goods
- (5) Maintaining law and order – Private Good

(18) To economists, the term “Capital” refers exclusively to:

- (1) Real assets and goods used to produce other goods and services.
- (2) Money used to purchase capital in the form of stocks and bonds.
- (3) Savings accumulated by households to purchase capital.
- (4) Money used by an entrepreneur to purchase capital.
- (5) Real estate, forests, metals and minerals.

(19) A good is considered scarce in a society when,

- (1) More output of the good is possible.
- (2) Everyone in that society cannot have all they want of the good.
- (3) The government restricts production of the good.
- (4) Only the richest people in the economy can buy all they want of the good.
- (5) The good’s price is fixed irrespective of the supply.

(20) Which would a company do to increase its human capital?

- (1) Build a company cafeteria.
- (2) Provide training.
- (3) Buy comfortable chairs for employees.
- (4) Hire more part-time workers.
- (5) Lease cars for employees.

State whether the following statements are True (T) or False (F) (01 mark each)

(i) Scarcity exists even in very rich societies.	
(ii) People's wants are small compared to the production capacity of a large modern economy such as that of the United States.	
(iii) Every time a scarce good is used, an opportunity cost is involved.	
(iv) The use of skilled labor to produce automobiles may involve an opportunity cost	
(v) Bubble gum is not a scarce good, because I can get as much of it as I want.	
(vi) Because this program in economics is so valuable, the time spent studying it has no opportunity cost.	
(vii) All production resources are scarce in nature.	
(viii) Salt water from the ocean is not a scarce good because there is more than the amount people want when it is available and free.	
(ix) Scarcity is a temporary situation in some societies.	
(x) Inability to satisfy basic human wants shall create the complex economic problem of 'Poverty'.	

Part – [B]

- (01) **State the salient features of 'Human Needs' as defined in economics [04 marks]**
- (02) **'It is said that in the study of economics we essentially focus on material needs of society'. Do you agree with this assertion, explain briefly? [04 marks]**
- (03) **Distinguish between 'Production Resources' and 'Economic Resources', while indicating the main categories of production and economic resources [04 marks]**
- (04) **Define the 'Central Problem in Economics' and state the two main features which exists within each society, which leads to this central problem. [04 marks]**
- (05) **Define what is meant by 'Capital' as a factor of production in economics and state four examples [06 marks]**

(06) Differentiate between 'Goods' and 'Services', by completing this table [04 marks]

Feature	Good	Services
Tangibility		
Perishability		
Variability		
Separable		

(07) 'A bed is a consumer durable good, and a desktop printer is a capital good in any context'. Do you agree, explain your answer briefly?

[04 marks]

(08) State the two main categories (or types) of natural resources, and distinguish between them, while stating two examples for each category.

[06 marks]

(09) (A) What is meant by 'Opportunity Cost' [02 marks]

(B) State four main features of opportunity cost [04 marks]

(C) State the specific situations in which opportunity cost becomes zero.

[03 marks]

(10) State the salient features of 'Human Wants' as discussed in economics

[05 marks]

END OF FNR [01]