

THEORY PROGRAM

FORTNIGHTLY REVIEW [FNR]

FNR: 02

Issued on: 10th January 2022

AL - 2023

Due on: 24th January 2022

ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.

Part – [A]**(01) Economics is the study of,**

- (1) How much people should buy and the prices they should be willing to pay.
- (2) How much people should sell and the prices they should be willing to accept.
- (3) The allocation of the world's freely available resources and who should get them.
- (4) The allocation and efficiency of use of scarce resources to satisfy unlimited human wants.
- (5) The allocation and use of scarce resources to satisfy unlimited human needs.

(02) Which of the following is NOT a factor of production?

- (1) The water used to cool a nuclear power plant.
- (2) The effort of farmers raising cattle.
- (3) The cash in hand of large manufacturing firm.
- (4) The management skill of a small business owner.
- (5) The billing system of a clothing store.

(03) A another thing you give up, if not you would have definitely chosen, when obtaining an item is called your,

- (1) Opportunity cost.
- (2) Explicit cost.
- (3) True cost.
- (4) Direct cost.
- (5) Marginal cost.

(04) Overtime worked by employees of a factory is considered _____ and earns _____.

- (1) Labor; wages.
- (2) Entrepreneurship; profit.
- (3) Human capital; interest.
- (4) Labor; profit.
- (5) Capital, rent

(05) The problem of scarcity

- (1) Exists only in economies which rely on a mixed economy.
- (2) Could be eliminated if we could force prices to fall
- (3) Means there are shortages of some goods,
- (4) Exists because human wants cannot be satisfied with available resources.
- (5) Exists now but will be eliminated with economic growth.

(06) A “free good” in economic terms can best be described as one which

- (1) Is supplied at a zero price to the consumer.
- (2) Is provided free by the government
- (3) Does not use scarce resources in its production.
- (4) Is extracted directly from the land or sea.
- (5) Can be produced at constant opportunity cost.

(07) Which of the following is a feature of human wants?

- (1) Relatively limited.
- (2) Basic in nature.
- (3) Common.
- (4) Diverse.
- (5) None of the above.

(08) Identify the incorrect statement.

- (1) Goods that are at zero price and unlimited in supply are free goods.
- (2) An opportunity cost is incurred on producing and /or consuming economic goods.
- (3) Classification of consumer and capital goods are based on usage.
- (4) Pure public goods are a type of free goods, as both do not involve an opportunity cost.
- (5) Economic goods are the results of human resource allocation decision.

(09) The opportunity cost of studying at a private university is likely to include all the following except one. Which of them is not included?

- (1) The cost of required textbooks
- (2) Tuition fees
- (3) The income foregone to attend classes during the university sessions
- (4) The money spent on haircuts during the university years
- (5) The cost of paper and pencils needed to take notes

(10) Entrepreneurs do all of the following EXCEPT

- (1) Organize labour, land and capital
- (2) Come up with new ideas about what and how to produce
- (3) Bear risk from business decisions
- (4) Own all the other factors of production
- (5) Make strategic decisions about production and business

(11) Which of the following is NOT an example of an opportunity cost?

- (1) Because Charith used all of his vacation time to paint his house, he was unable to visit Galle last year.
- (2) By choosing to attend college, Ruwani was not able to continue working as a babysitter; as a result, she gave up more than Rs.25,000 in earnings while she was in college.
- (3) Because Nimmi is now being paid a higher wage, she can afford to buy a new car even though she is moving into a bigger apartment.
- (4) By spending Thursday night studying for an economics exam, a student was unable to complete a homework assignment for the accounting class.
- (5) Because Ravi spent his pocket money on a pizza, he couldn't join his friends for the movie in the evening.

(12) Which of the following is NOT a capital good?

- (1) A bulldozer at a construction site.
- (2) A cash register at a clothing store.
- (3) An oven at a bakery.
- (4) A television set for sale at an appliance store.
- (5) A blackboard in a school.

(13) Opportunity cost means the,

- (1) Accounting cost minus the marginal cost.
- (2) Highest-valued alternative forgone.
- (3) Accounting cost minus the marginal benefit.
- (4) Monetary costs of an activity.
- (5) Market price of goods and services.

(14) The group of decision makers in a closed economy are,

- (1) Households, business firms, and banks only
- (2) Households, business firms, and government only
- (3) Business firms, governments, and banks only
- (4) Households, business firms, government, and foreign traders
- (5) Households, governments, and foreign trade only

(15) People and organizations must make choices about how to allocate time and money because,

- (1) Government rules and regulations.
- (2) Corporate control of our lives.
- (3) Relative scarcity of time and money.
- (4) Religious values.
- (5) Unlimited resources.

(16) In one hour, a given person can fix 4 flat tires or type 200 words. His opportunity cost of fixing a flat tire is,

- (1) 200 words
- (2) 4 flat tires
- (3) 1 word
- (4) 50 words
- (5) 800 words

(17) Opportunity costs arise in production because,

- (1) Resources are unlimited
- (2) Resources must be shifted away from producing one good in order to produce another
- (3) Wants are limited in society
- (4) Monetary costs of inputs usually outweigh non-monetary costs
- (5) The monetary costs of only a few resources are zero

(18) The opportunity cost of a particular production activity,

- (1) Is the same for everyone pursuing this activity.
- (2) May include both monetary costs and forgone income.
- (3) Always decreases as more of that activity is pursued.
- (4) Usually is known with certainty.
- (5) Measures the direct benefits of that activity.

(19) Which of the following is not considered a distinctive feature of Services?

- (1) Intangibility
- (2) Physical ownership
- (3) Perishable
- (4) Variability
- (5) Inseparability

(20) Kamal is considering attending a concert with a ticket price of Rs.3,000. He estimates that the cost of driving to the concert and parking there will total an additional Rs.500. In order to attend the concert, Kamal will have to take time off from his part-time job. He estimates that he will lose 5 hours at work, at a wage of Rs.100 per hour. Kamal's opportunity cost of attending the concert equals,

- (1) Rs.3,000
- (2) Rs.3,500
- (3) Rs.500
- (4) Rs.1,000
- (5) Rs.4,000

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

(1) Economics is a study of the ways in which people provide for their welfare or satisfaction.	
(2) A scarce goods has a positive opportunity cost, because in order to have it and have more of it some other good must be sacrificed.	
(3) Opportunity cost of free goods depends on the cost of the good given up for it.	
(4) Wants are more advanced and diversified ways of satisfying basic human needs.	
(5) Because human wants are insatiable, scarcity would be a problem even if resources were found in unlimited supplies.	
(6) Economics is one of the social sciences because it examines individual and social behavior.	
(7) Microeconomics is more useful than macroeconomics because it gives a more detailed picture of the economy.	
(8) Normative economics is free from value judgments	
(9) Positive economics analyzes the way the economy actually operates.	
(10) Economists regard natural resources as gifts of nature.	

Part – [B]

- (01) **State** the essential conditions which need to be fulfilled at the same time, in order for an economic cost to be created [03 marks]
- (02) **Discuss** the four main categories of economic resources (i.e., land, capital, labour and entrepreneurship), based on the following attributes of each factor of production:
(A) Principal reward (price or payment)
(B) Key (or distinguishing) features
(C) Nature of mobility [both Geographical and Occupational]
[03 marks for each resource]
- (03) **Define** the factor of production ‘Labour’ and **state** the principal features of labour. [05 marks]
- (04) State the main factors which decide the level of labour resources of a country [03 marks]
- (05) What is meant by ‘Division of Labour’ and ‘Specialization’ in production [04 marks]
- (06) **Outline** the main functions of an entrepreneur [08 marks]
[Outline: state/name and briefly explain]
- (07) What is meant by factor productivity, and **sate** the main factors determining labour productivity [06 marks]
- (08) **State** the principal ‘Basis’ used in the following product/ resource classifications
(A) Products as Goods and Services
(B) Resources as Economic and Free (Non-economic)
(C) Output as Consumer and Capital
(D) Goods as Pure Public and Pure Private [04 marks]
- (09) **State** the main types of ‘Basic Human Needs’ as defined in economics. [05 marks]

END OF FNR [02]

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