1. Which of the following rewards accrues to the factor of production called 'capital'?

(A) Rent
(B) Profit
(C) Wage
(D) Interest

2. An 'economy' is BEST described as a system where

(A) suppliers produce all the goods and services needed by the consumers
(B) all the goods and services used by the citizens of a country are provided by the government
(C) resources are used by manufacturers to produce goods and maximize profits
(D) resources are used to produce goods and services to meet the needs and wants of society

CSEC ECONOMICS

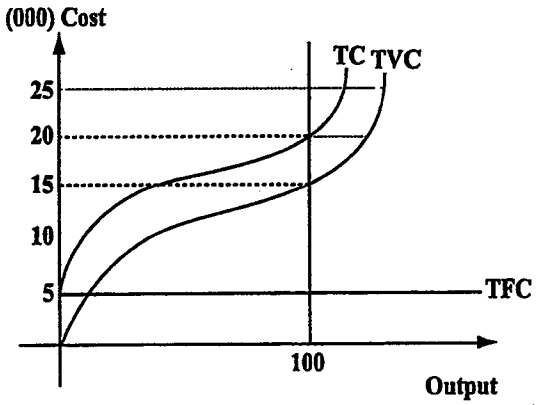
3. Which of the following pairs of activities in a country falls under the tertiary sector?

(A) Banking and tourism
(B) Tourism and agriculture
(C) Banking and construction
(D) Manufacturing and fishing

4. A student has a daily allowance of $20 with which he can purchase chicken and chips or a burger, but NOT both. If he purchases the chicken and chips, the opportunity cost of his decision will be the

(A) burger he gave up
(B) price of the chicken and chips
(C) satisfaction he gets from burgers
(D) satisfaction he gets from the chicken and chips

Item 5 refers to the following diagram which shows a firm's total fixed cost (TFC), total variable cost (TVC) and total cost (TC).



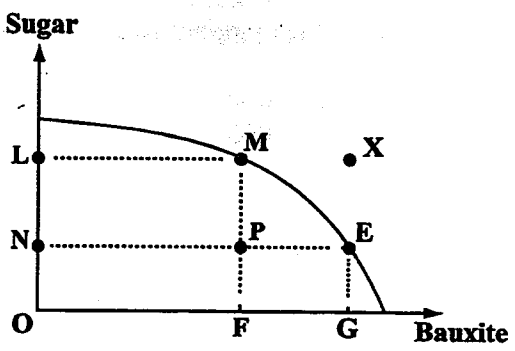
5. The firm's total variable cost at 100 units of output is

(A) 10 000
(B) 15 000
(C) 20 000
(D) 25 000

6. The economic system of MOST Caribbean countries can be described as

(A) mixed
(B) planned
(C) traditional
(D) free market

Item 7 refers to the following diagram which illustrates the production possibility frontier for an economy that is capable of producing bauxite and sugar in different combinations.



7. Point X on the graph represents

(A) economic growth
(B) unemployed resources
(C) an efficient combination
(D) an unattainable combination

8. The burden of an excise duty falls ENTIRELY on the consumer if the

(A) supply curve is perfectly elastic
(B) demand curve is perfectly elastic
(C) demand curve is perfectly inelastic
(D) supply curve is perfectly inelastic

9. An outward shift in a production possibility curve can be caused by an

(A) increase in wages
(B) increase in prices
(C) increase in imports
(D) improvement in technology

Item 10 refers to the following table which shows a country's gross domestic product (GDP) for a five-year period.

Year	GDP($M)
2009	372
2010	455
2011	496
2012	531
2013	580

10. During the period 2009–2013, the GDP of this country

(A) declined
(B) increased
(C) fluctuated
(D) remained constant

11. An advantage of a planned economic system is that

(A) there is usually a more equitable distribution of wealth
(B) firms have a greater incentive to be efficient
(C) workers are more motivated and diligent
(D) consumers have a wider variety of goods

12. Economic choices are made because

(A) people's needs exceed their wants
(B) resources are unlimited and people's wants are limited
(C) resources are scarce while people's wants are unlimited
(D) people may not always have the money to conduct business

13. In an attempt to increase the efficiency of its staff, management assigns specific tasks to each worker. This is an example of

(A) progress
(B) productivity
(C) specialization
(D) entrepreneurial ability

14. In a commercial bank, wages and salaries are NOT paid to

(A) shareholders of the bank
(B) bank tellers and supervisors
(C) investment managers of the bank
(D) maintenance workers employed by the bank

15. One example of a 'good' is

(A) an extra lesson at school
(B) a loan approval by a bank
(C) a bottle of soda water
(D) a beauty makeover at a spa

16. Prices of goods in market economies fluctuate while prices of goods in planned economies tend to be fixed. The MOST likely reason for this difference is that in the market economy

(A) profits are lower
(B) producers are never efficient
(C) buyers and sellers determine prices
(D) there are higher unemployment levels

17. A firm produces 29 pairs of high quality leather shoes at a fixed cost of $20 000 and a variable cost of $9 000. On producing the 30th pair, the new total cost rises to $30 000.

What is the marginal cost of the 30th pair?

(A) $ 1 000
(B) $ 9 000
(C) $20 000
(D) $29 000

18. One of the problems associated with barter is that

(A) it requires the use of coins
(B) it is a cause of market failure
(C) surplus output can be exchanged
(D) it requires double coincidence of wants

19. Which of the following is NOT an example of a factor of production in a commercial bank?

(A) The building
(B) The bank's vault
(C) Shareholders of the bank
(D) Special savings accounts for students

20. A government reduces tax on carrots. This causes the price of carrots to fall by 50%. Quantity demanded then rises by 50%. The price elasticity of demand for carrots in this case is

(A) 0
(B) 0.4
(C) 1
(D) 2.5

21. Open competition on a worldwide scale facilitates

(A) high levels of dependence on tourism
(B) increases in trade unions' negotiating power
(C) government manipulation of market outcomes
(D) the development of comparative advantage

22. Money is long-lasting, easy to carry around and can be changed into smaller denominations. Which of the following characteristics of money are being described above?

(A) Durability, portability, liquidity
(B) Durability, scarcity, uniformity
(C) Durability, portability, divisibility
(D) Portability, uniformity, divisibility

23. Which of the following features is NOT a characteristic of perfect competition?

(A) Freedom of entry and exit
(B) Many buyers and one seller
(C) Knowledge of market conditions
(D) Selling of homogeneous products

24. Which of the following is usually a consequence of widespread retrenchment in a country?

(A) Reduction in crime rate
(B) Increased standard of living
(C) A fall in the standard of living
(D) Equality in income distribution

25. A pure public good can be described as

(A) excludable
(B) zero-priced
(C) diminishable
(D) complimentary

Item 26 refers to the following table which shows the market demand and supply of potatoes at given prices.

Price of Potatoes ($)	Market Demand (000 kg)	Market Supply (000 kg)
4	700	100
8	500	200
12	350	350
16	200	530
20	100	700

26. What is the equilibrium price?

(A) $ 4
(B) $ 8
(C) $12
(D) $16

27. 'Globalization' may be MOST accurately defined as the

(A) movement of technology and financial markets worldwide
(B) movement of tangible and intangible goods among countries
(C) international trade of goods and services including skilled workers
(D) integration of financial services, technology and commodity markets worldwide

28. If company X is engaged in the cutting of trees to obtain lumber which is then used by Company Y to make furniture, to which sector of the economy does Company X belong?

(A) Public
(B) Primary
(C) Tertiary
(D) Secondary

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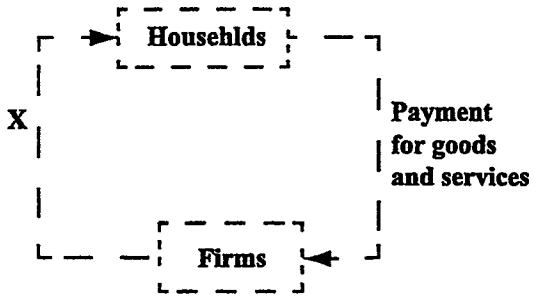
29. Which of the following financial instruments are issued by the central bank on behalf of the government?

(A) Treasury bills
(B) Corporate bonds
(C) Equity securities
(D) Shares on the stock exchange

30. When injections of capital are greater than withdrawals, national income will

(A) increase
(B) decrease
(C) remain constant
(D) be in equilibrium

Item 31 refers to the following diagram which shows the circular flow of income.



31. Line **X** represents payment

(A) for goods taken on credit
(B) to the factors of production
(C) of taxes to the government
(D) to financial institutions for loans

32. When a financial asset is described as liquid, it means that

(A) it is a weak financial asset
(B) its price or value fluctuates often
(C) it can easily be converted into cash
(D) it is not acceptable as a medium of exchange

33. Joe Brown first sells his produce at the market and then saves his money until he has enough to buy a tractor. Which of the following functions is money performing in the second case?

(A) Store of value
(B) Unit of account
(C) Medium of exchange
(D) Standard of deferred payment

34. Which of the following is NOT a function of the financial sector?

(A) Providing a safe place for saving
(B) Preventing liquidity within the economy
(C) Facilitating payments for goods and services
(D) Making credit available to households and firms

35. If Country X has a comparative advantage in the production of computers over Country Y, then

(A) Country X will export all its computers
(B) neither Country X nor Country Y should specialize in the production of computers
(C) the opportunity cost of producing computers is higher in Country X than in Country Y
(D) the opportunity cost of producing computers is lower in Country X than in Country Y

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36. Which of the following is NOT a financial institution in an economy?

(A) Trade union
(B) Credit union
(C) Commercial bank
(D) Development bank

37. Which of the following statements BEST describes a fiscal deficit?

(A) Government revenue exceeds government borrowing
(B) Government revenues are greater than subsidies
(C) Government spending equals government revenue
(D) Government spending exceeds government revenue

38. Fred earns his money by occasionally doing jobs such as painting, repairing and cleaning while Wilma earns her money from occasional babysitting.

In which sector would Fred and Wilma's activities be located?

(A) The formal sector
(B) The foreign sector
(C) The informal sector
(D) The financial sector

Item 39 refers to the following table which shows the flow of money in an economy.

	X	Y
I	Borrowers	Savers
II	Savers	Borrowers
III	Lenders	Borrowers
IV	Borrowers	Lenders

39. The flow labelled III represents

(A) loanable funds
(B) national income
(C) goods and services
(D) factors of production

40. 'Resources, both human and physical, are required to produce goods'.

The statement above MOST accurately describes

(A) productivity
(B) entrepreneurship
(C) factors of production
(D) factors of productivity

41. Which of the following is NOT a service?

(A) Education
(B) Health care
(C) Motorcycle
(D) Hairdressing

Item 42 refers to the following table which shows the rate of inflation and the average percentage increase in wages over a four-year period.

Year	Rate of Inflation (%)	Wage Increase (%)
2011	5	20
2012	10	20
2013	10	5
2014	15	5

42. In which year was the increase in real wages the GREATEST?

(A) 2011
(B) 2012
(C) 2013
(D) 2014

43. Which of the following is NOT a characteristic of Caribbean countries?

(A) High debt burden
(B) High levels of unemployment
(C) Low levels of capital formation
(D) Major producers of manufactured goods

44. Which of the following is NOT a benefit of international trade?

(A) A larger market size
(B) A wider variety of products
(C) Increased efficiency of local firms
(D) Increased dependency on other countries

45. Which of the following situations would lead to an improvement in a country's terms of trade?

I. Export prices rise and import prices fall
II. Export prices rise faster than import prices
III. Import prices rise faster than export prices

(A) I only
(B) I and II only
(C) I and III only
(D) II and III only

46. The terms of trade of Country X is 150. This is considered to be

(A) neutral
(B) inadequate
(C) favourable
(D) unfavourable

47. The International Monetary Fund (IMF) functions as a

(A) human rights organization
(B) regulatory authority for international trade
(C) large, multinational corporation maximizing its efficiency through globalization
(D) financial institution that provides strategic guidance to countries to ensure financial stability

48. One important objective of CARICOM is to

(A) improve standards of living beginning with smaller states
(B) encourage the economic development of its members
(C) maximize multinational efficiency through globalization
(D) provide strategic guidance to countries to ensure financial stability

49. If a country can produce 20 units of product X or 10 units of product Y, the opportunity cost of 1 unit of product Y is

(A) 0.1 units of product X
(B) 1 unit of product X
(C) 2 units of product X
(D) 2.5 units of product X

50. Which of the following phrases BEST explains the term 'tariff'?

(A) The amount of subsidies received by local exporters
(B) The level of tax that is levied on imports entering a country
(C) The amount of goods that can be imported into a country
(D) The common tax levied by countries on member countries within a region

51. Which of the following will contribute to a surplus on the balance of trade of a country?

(A) The value of exports is greater than the value of imports.
(B) The value of imports is greater than the value of exports.
(C) The volume of exports is greater than the volume of imports.
(D) The volume of imports is greater than the volume of exports.

52. Which of the following is NOT a 'determinant of demand' for laptop computers?

(A) Income
(B) Price of laptops
(C) A tax on laptops
(D) Preference for desktop computers

53. The central bank calls for an increase in the reserve requirements of commercial banks. How will this affect the operations of commercial banks?

(A) Their liquid assets will be reduced.
(B) Their ability to create credit will increase.
(C) Their loans to money markets will increase.
(D) They will attract less deposits from the public.

54. The restriction of international trade through tariffs, embargoes, quotas and exchange controls is referred to as

(A) globalization
(B) protectionism
(C) a bilateral agreement
(D) structural adjustment

55. Country A is experiencing a balance of payments deficit. Which of the following measures could be taken to reduce the deficit in the short-term?

(A) Reduce the volume of exports to other countries.
(B) Engage in trade with other low-cost producers of goods.
(C) Increase the importation of goods from other countries.
(D) Impose restrictions on goods imported from other countries.

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56. Which of the following is MOST likely to lead to greater international investment flows to the Caribbean region?

(A) Globalization
(B) Specialization
(C) Trade unionism
(D) Currency fluctuation

57. Which of the following are ways of calculating national income?

I. Income method
II. Elasticity method
III. Expenditure method

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

58. The acronym 'FDI' stands for

(A) Foreign Direct Income
(B) Foreign Direct Investment
(C) Fixed Domestic Investment
(D) Floating Domestic Investment

59. One example of an 'entrepreneur' is

(A) a shop owner
(B) a store worker
(C) a bank manager
(D) an airline employee

60. Which of the following is NOT a benefit of trade liberalization to consumers?

(A) Prices of goods and services will decline.
(B) There will be greater access to a variety of goods and services.
(C) Cost of providing goods and services will be lower.
(D) Prices of goods and services will increase.

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.