1. Which of the following items is a primary product?

(A) Truck
(B) Bread
(C) Bauxite
(D) Clothing

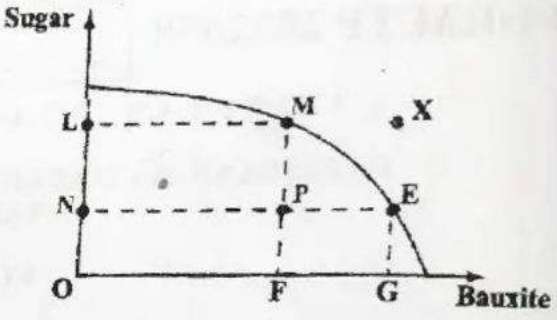
2. The Government of Country P decides to move resources from manufacturing to crop production. The opportunity cost of this decision is the

(A) rent for the land on which crops are grown
(B) profits earned from manufacturing
(C) wages earned by farm workers
(D) profit earned by farmers

3. Which of the following is NOT a way in which governments influence the economic decisions of businesses?

(A) Increasing retirement benefits
(B) Passing minimum wage legislation
(C) Regulating the emissions of toxic waste
(D) Identifying areas where businesses should be located

Item 4 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.



4. Point X on the diagram above represents

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

5. An 'economy' is BEST described as

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

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6. Country X allows the foreign exchange market to determine the rate of its domestic currency based on the forces of demand and supply. This type of exchange rate is referred to as

(A) fixed
(B) pegged
(C) floating
(D) managed

7. Economic choices are made because

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

8. "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

9. 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

10. Which of the following is a reward to a factor of production?

(A) Taxes paid to government
(B) Annual review of employee performance
(C) Profits declared by a company in its annual report
(D) The managerial skills of the managers of a business

Items 11 and 12 refer to the following table which shows the cost of production for a small business.

Quantity of Bread (loaves)	Total Cost $
0	200
2	250
4	300
6	360
8	400
10	410

11. The fixed cost of production is

(A) $ 0
(B) $ 50
(C) $200
(D) $410

12. The marginal cost of production between 2 and 4 loaves of bread is

(A) $ 25
(B) $ 50
(C) $100
(D) $550

13. An advantage of a planned economic system is that

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

Item 14 refers to the following table which shows government spending as a percentage of gross domestic product for four countries, W, X, Y and Z.

Country	Government Spending as a Percentage of GDP
W	47
X	89
Y	50
Z	3

14. The economic system of Country X is MOST likely

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

15. When Bargain Supermarket increased the price of tissue by 65%, tissue sales fell by 115%. Therefore, the price elasticity of demand for Bargain's tissue is

(A) elastic
(B) inelastic
(C) perfectly elastic
(D) perfectly inelastic

Item 16 refers to the following table which shows the market for golden apples.

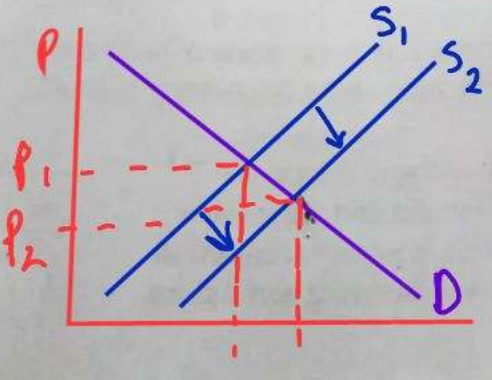
Price $	Quantity Demanded	Quantity Supplied
1	500	50
2	400	100
3	300	150
4	200	200
5	100	250

16. Which of the following statements is true?

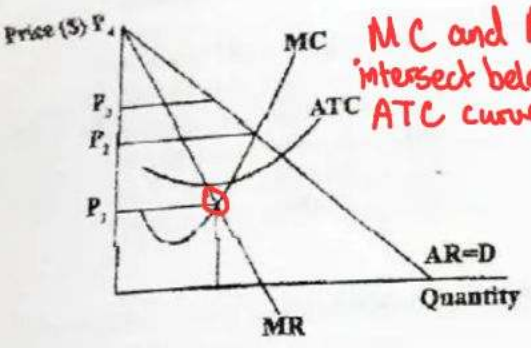
(A) There is no shortage of golden apples at $4.
(B) There is a shortage of 150 golden apples at $5.
(C) There is a surplus of 300 golden apples at $2.
(D) There is a surplus of 450 golden apples at $1.

17. All things being equal, an increase in the *supply* of a good will result in

(A) an increase in both price and quantity traded
(B) a decrease in both price and quantity traded
(C) an increase in price and a decrease in quantity traded
(D) a decrease in price and an increase in quantity traded



Item 18 refers to the following diagram which represents a monopoly firm.



MC and MR intersect below the ATC curve

18. Which of the following statements BEST describes what the diagram is illustrating?

(A) The firm is making losses.
(B) The firm is making normal profits.
(C) The firm is making excess profits.
(D) The firm is making zero economic profit.

19. The income elasticity of demand for cars is 5. If a recession causes a decrease of 20% in incomes, then the quantity of cars demanded is likely to

(A) increase by 25%
(B) increase by 100%
(C) decrease by 25%
(D) decrease by 100%

5 X 20 = 100

20. The supply curve will shift to the left if

(A) incomes fall
(B) costs of production rise
(C) costs of production fall
(D) technology is introduced

21. A normal supply curve for farm produce will slope upwards from left to right if farmers

(A) pass on increased costs to customers
(B) are willing to produce more as price increases
(C) increase their profit margins as price increases
(D) are willing to increase supply as demand increases

22. *Mr Phillip had intended to buy 50 pens at* $8. When the price rose to $10 he decided to buy only 40 pens. His elasticity of demand for pens is

(A) 0.00
(B) 0.40
(C) 0.80
(D) 1.30

50 − 40 / 50 × 100 = −20%
8 → 10, +2
2 × 100 / 8 = 25%
−20% / 25% = −0.8

23. The relationship between price and quantity demanded of a normal good is described as

(A) direct
(B) a shift
(C) inverse
(D) non-existent

Item 24 refers to the following table which gives the short-run schedules of three firms, X, Y and Z, which comprise an industry.

Price	Firm X	Firm Y	Firm Z
1	100	–	–
2	150	50	–
3	200	80	70
4	250	150	100

24. Which of the following price–quantity combinations would occur on the short-run supply schedule of the industry?

(A) $2 and 300 units
(B) $3 and 350 units
(C) $4 and 650 units
(D) $5 and 1150 units

25. Governments often put measures in place to control monopolies because monopolies

(A) set fair prices
(B) restrict supply
(C) earn normal profit
(D) promote consumer sovereignty

26. The price elasticity of supply refers to the responsiveness of the quantity supplied to a change in

(A) income
(B) demand
(C) price of the good
(D) prices of substitutes

Item 27 refers to the following information which relates to a manufacturing company.

Total fixed cost	$10 000
Total cost	$50 000
Output	100 units

50 000 − 10 000 = 40 000

27. The average variable cost is

(A) $ 100
(B) $ 400
(C) $1 000
(D) $4 000

40 000 ÷ 100

28. Education is a

(A) merit good because it is desirable for the economy
(B) public good because it is desirable for the economy
(C) merit good because it is non-diminishable and non-excludable
(D) public good because it is non-diminishable and non-excludable

29. Which of the following is LEAST likely to occur when there is market failure?

(A) The production of goods and services creates benefits for third parties.
(B) An increase in poverty throughout the economy.
(C) An adequate amount of goods and services for consumers.
(D) An increase in the level of unemployment among skilled and unskilled labour.

30. A pure public good can be described as

(A) excludable
(B) non-rival
(C) diminishable
(D) complementary

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31. Which of the following set of characteristics describes developing countries?

(A) High GDP per capita, low population growth, high unemployment
(B) High GDP per capita, high population growth, high unemployment
(C) Low GDP per capita, low population growth, low unemployment
(D) Low GDP per capita, high population growth, high unemployment

32. The ability to turn an asset into cash, without loss or delay, is known as

(A) liquidity
(B) durability
(C) portability
(D) divisibility

33. The central bank has requested an increase in the reserve requirements of commercial banks. What would be the effect on 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.

34. The MAIN objective of a credit union is to

(A) provide scholarships to students
(B) encourage thrift among its members
(C) provide credit to government agencies
(D) provide investment funds for companies

35. The term 'money supply' refers to the

(A) total stock of money in an economy at any moment
(B) total asset base of the institutions in the financial sector
(C) amount of money traded in the foreign exchange market
(D) total amount of gold, silver and other precious metals in reserve

36. The central bank can reduce the level of the money supply by

I. selling treasury bills
II. offering certificates of deposits
III. increasing the reserve requirement

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

37. In seeking to stabilize the economy of a Caribbean territory, the role of the government should be to

(A) increase its taxes, borrow more and forecast revenues
(B) encourage skilled labourers to stay within the territory
(C) review its policies on taxation, borrowing and expenditure
(D) import more consumer goods to satisfy the needs of the people

38. Country S has obtained an inflow of $300 000 000 in foreign direct investment. In which section of the balance of payments of Country S would this be recorded?

(A) Visible trade
(B) Invisible trade
(C) Balance of trade
(D) Capital account

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39. The term 'recession' refers to a period of

(A) increased economic activity
(B) temporary economic decline
(C) gradual increase in the GDP of a country
(D) national economic prosperity in a country

40. Which of the following is an example of frictional unemployment?

(A) Ben is a seasonal worker in the tourism industry.
(B) Ralph is currently attending college full-time and sells fruits while on campus.
(C) Laura resides at the local penal institution after being convicted for selling drugs.
(D) Maria lost her job two months ago and is currently registered with the national unemployment bureau.

Item 41 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 (%)
2014	5	20
2015	10	20
2016	10	5
2017	15	5

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

(A) 2014
(B) 2015
(C) 2016
(D) 2017

Item 42 refers to the following information for Country M.

Components	$
Consumer consumption	800
Government spending	300
Gross investment	100
Exports of goods	80
Imports of goods	50
Incomes coming into the country	80
Incomes going out of the country	70

42. The gross domestic product (GDP) for Country M is

800+300+100+(80-50)
1230

(A) 800
(B) 940
(C) 1 200
(D) 1 230

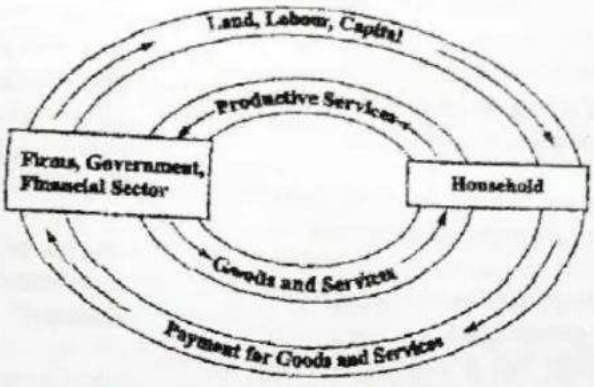
Item 43 refers to the following economic measures.

I. Reducing bank rates
II. Increasing interest rates
III. Decreasing money supply

43. Which of the measures above can be used to reduce inflation?

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

Item 44 refers to the following diagram.



44. The diagram above illustrates the

(A) cash flow
(B) national income
(C) balance of payments
(D) circular flow of income

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45. In Country B, the balance of payments is reflecting a deficit. This could be remedied by

I. decreasing imports and increasing exports
II. increasing imports and decreasing exports
III. increasing the expatriate quota for local employers

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

Item 46 refers to the following information on the production of corn and beans in two countries, Smallville and Bigville.

Country	Quantity of Corn that can be Produced ('000 tonnes)	Quantity of Beans that can be Produced ('000 tonnes)
Smallville	40	10
Bigville	20	50

46. Which of the following statements is true?

(A) Bigville has the absolute advantage in producing corn.
(B) Bigville has the comparative advantage in producing corn.
(C) Smallville has the absolute advantage in producing beans.
(D) Smallville has the comparative advantage in producing corn.

10/40 = .25
50/20 = 2.5

47. Which of the following is referred to as the banker's bank?

(A) The World Bank
(B) The central bank
(C) A commercial bank
(D) An investment bank

48. An example of a transfer that is recorded in the balance of payments is

(A) a maternity benefit received from the local government agency
(B) an unemployment benefit received by citizens in their country from their government
(C) a subsidy for a local firm to encourage increased production for the export market
(D) a donation of relief supplies by a foreign government to a country following the passage of a hurricane

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

normally when it is over 100 it is favourable

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

50. Which of the following market 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

51. Countries can gain several advantages from trading with other countries. Which of the following phrases indicate such advantages?

I. More affordable items
II. Specialization in production
III. Easier access to foreign goods

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

52. Which of the following accounts is NOT included in the balance of payments account?

(A) Asset account
(B) Capital account
(C) Current account
(D) Official financing account

53. Most Caribbean economies are characterized by

(A) a budget surplus
(B) high national debt
(C) low population growth
(D) strong economic growth

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. Which of the following institutions deals with balance of payments support?

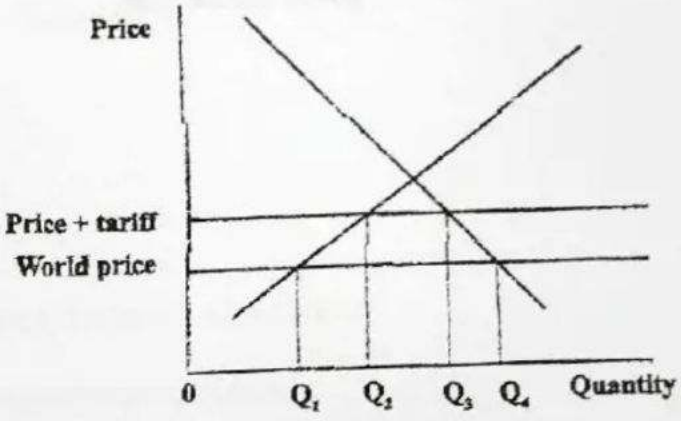
(A) World Bank
(B) World Trade Organization
(C) International Monetary Fund
(D) Caribbean Development Bank

56. Import substitution is a development strategy aimed at

(A) increasing the number of imports
(B) increasing the number of exports
(C) replacing local goods with better quality imports
(D) replacing imports with locally produced goods

Item 57 refers to the following scenario.

The WTO has agreed to the implementation of a tariff on a specific good coming into Country A. The diagram below illustrates the impact of the tariff.



57. The quantity of imports **before** the tariff is represented by

(A) $Q_4 - Q_2$
(B) $Q_3 - Q_2$
(C) $Q_4 - Q_3$
(D) $Q_4 - Q_1$

58. Which of the following is NOT a benefit of economic integration?

(A) Higher cost of living
(B) Increased productivity
(C) Improved competitiveness of products
(D) Mutual benefits among member countries

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

(A) A decline in the prices of goods and services
(B) An increase in the prices of goods and services
(C) Greater access to a variety of goods and services
(D) A reduction in the cost of providing goods and services

60. One important objective of CARICOM is to

(A) encourage the economic development of its members
(B) improve the standards of living of only the smallest countries in the Caribbean community
(C) provide strategic guidance to countries to ensure the financial security of state leaders
(D) coordinate and provide continuous economic support for countries that are not part of the Caribbean community

END OF TEST

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