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

3. Which of the following companies operates in the primary sector?

| | Company | Description/Activity |
|---|---|---|
| (A) | White Ltd | Flour processing |
| (B) | Red Ltd | Tomato cultivation |
| (C) | Yellow Ltd | Private taxi services |
| (D) | Green Ltd | Herbal medicine production |

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

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

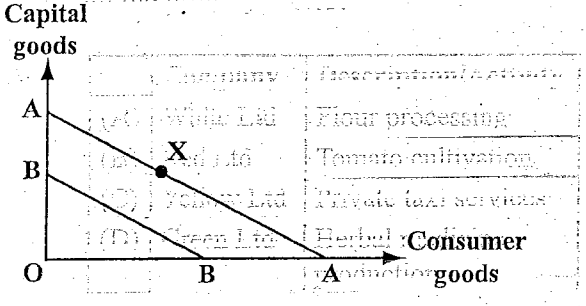
5. ABC Ltd purchases raw cotton and produces fabric. XYZ Ltd buys fabric from ABC Ltd and makes T-shirts which it markets directly to clothing stores. BOTH firms engage in economic activity in the

(A) primary sector
(B) secondary sector
(C) tertiary sector
(D) quaternary sector

6. An unemployed person accepts a job. What is the opportunity cost of his decision?

(A) The leisure time lost
(B) The income from the job
(C) The income tax he now pays
(D) The cost of travelling to work

Item 7 refers to the following diagram which illustrates the production possibility frontier for an economy in Year 1 (AA) and Year 2 (BB).




7. From the diagram above it can be deduced that

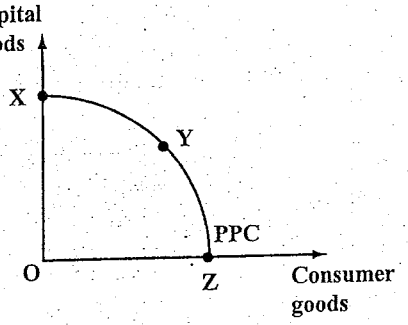
(A) point X was unattainable in Year 2
(B) point X was efficient in Year 1 and Year 2
(C) there was decreasing opportunity cost in Year 2
(D) there was economic growth between Year 1 and Year 2

8. A country faces the following production combinations:

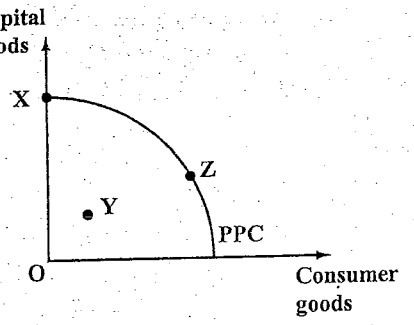
X = production with unemployed resources
Y = unattainable production combination
Z = efficient production combination

Which of the following production possibility curves (PPC) correctly illustrates the information above?

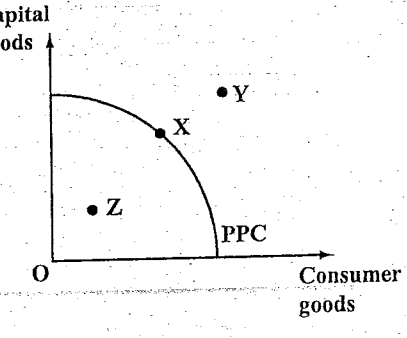
(A)



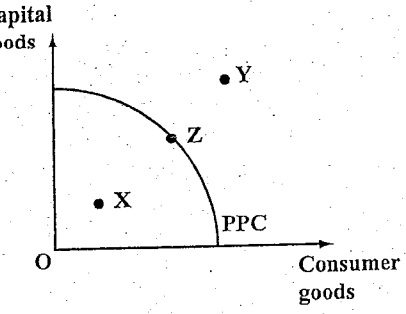

(B)




(C)




(D)




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 units of labour and total output.

| Units of Labour | Total Output |
|---|---|
| 6 | 372 |
| 7 | 455 |
| 8 | 496 |
| 9 | 531 |
| 10 | 580 |

10. What is the number of labour units that produces the HIGHEST average product of labour?

(A) 6
(B) 7
(C) 8
(D) 9

11. Which of the following does NOT affect the efficiency of labour?

(A) Firm's profitability
(B) Worker motivation
(C) Level of technology
(D) Education and training

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) a bottle of soda water
(B) loan approved by a bank
(C) extra lesson at a school
(D) 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

Item 17 refers to the following table which shows government spending as a percentage of Gross Domestic Product for four countries, W, X, Y and Z.

| Countries | Government Spending as a Percentage of GDP |
|---|---|
| W | 47 |
| X | 89 |
| Y | 50 |
| Z | 3 |

17. The economic system of Country X is MOST likely

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

18. In Country N, the government provides essential goods such as water, electricity and housing for its citizens. However, other goods are provided by private companies. To which economic system does Country N MOST likely belong?

(A) Mixed
(B) Planned
(C) Traditional
(D) Free market

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%. Demand 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

Item 21 refers to the following table which shows the price of a product, the quantity demanded (QD) and quantity supplied (QS).

| Price ($) | QD (Units) | QS (Units) |
|---|---|---|
| 10 | 8 | 20 |
| 8 | 12 | 16 |
| 6 | 14 | 14 |
| 4 | 16 | 12 |
| 2 | 29 | 8 |

21. At which of the following prices are there shortages in the market?

(A) $2 and $4
(B) $4 and $6
(C) $6 and $8
(D) $8 and $10

22. The term 'money supply' refers to the

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

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

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

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

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

25. A pure public good can be described as

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

Item 26 refers to the following table.

| 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

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

28. Which of the following is TRUE about financial markets and institutions?

(A) They provide insurance protection to speculators.
(B) They place emphasis on consumer education.
(C) They are free from government interference.
(D) They channel funds from those who have saved to those who wish to borrow.

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. For anything to serve as money, it must

(A) be limited in supply
(B) have limited demand
(C) be backed by law
(D) be acceptable by banks as deposit

31. Which of the following items is considered as 'legal tender'?

(A) Gold
(B) Lumber
(C) Cheque
(D) A ten-dollar bill (note)

32. A fractional reserve banking system is one where banks hold reserves of less than 100% of

(A) retained earnings
(B) securities
(C) deposits
(D) loans

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

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

34. The organization responsible for the regulation and control of the financial sector is the

(A) Treasury
(B) Central Bank
(C) Board of Currency Control
(D) Institute of Monetary Affairs

35. Which of the following is a function of the commercial bank?

(A) Printing currencies
(B) Accepting deposits
(C) Fixing import quotas
(D) Fixing currency exchange rates



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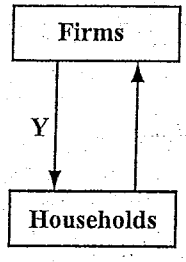
36. Which of the following is NOT a financial institution in an economy?

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

37. The government of Country M has been accumulating a fiscal deficit for the past three years without any surpluses. This is known as Country M's

(A) foreign surplus
(B) interest rate
(C) national debt
(D) national budget

Item 38 refers to the following diagram which shows the simple circular flow of income for an economy.




38. The nominal flow labelled Y refers to

(A) investment
(B) factor incomes
(C) savings
(D) factors of production

Item 39 refers to the following economic measures.

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

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

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

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) Hairdressing
(D) Motorcycle

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 Increases (%) |
|---|---|---|
| 2006 | 5 | 20 |
| 2007 | 10 | 20 |
| 2008 | 10 | 5 |
| 2009 | 15 | 5 |

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

(A) 2006
(B) 2007
(C) 2008
(D) 2009

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

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

44. The role of trade unions in the economy is to

(A) establish a minimum wage rate
(B) increase the wage rate of employees
(C) negotiate wages on behalf of workers
(D) create conflict between employers and employees

45. The MAIN advantage of quotas as compared to tariffs is that quotas

(A) are less expensive to administer
(B) have the strong support of economists
(C) are easier to get passed in Parliament
(D) remove uncertainty about the quantity of imports

46. Which of the following is a positive effect of the 'brain drain' phenomenon for the country of origin?

(A) Source of remittances
(B) Sustained growth
(C) Guaranteed development
(D) Discovery of more talent

47. Which of the following is a DISAVANTAGE of international trade?

(A) Economies of scale
(B) Improved international relations
(C) Increased consumer choice and variety
(D) Stiff competition for local industry

48. Which of the following bodies tries to get nations to end preferential trade arrangements with other nations?

(A) European Union (EU)
(B) World Trade Organization (WTO)
(C) International Monetary Fund (IMF)
(D) Caribbean Community (CARICOM)

49. A computer is purchased from the US at a price of US$500. If the exchange rate is given as TT$10 = US$1.00, the price of the computer will be

(A) TT$3 050
(B) TT$3 150
(C) TT$5 000
(D) TT$5 630

50. Which of the following 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) Value of imports is greater than the value of exports.
(B) Value of exports is greater than the value of imports.
(C) Volume of exports is greater than the volume of imports.
(D) Volume of imports is greater than the volume of exports.

52. Which of the following is NOT a function of the International Monetary Fund?

(A) Overseeing payments and exchange rates between countries
(B) Promoting the financial stability of countries
(C) Assisting countries with balance of payment difficulties
(D) Settling trade disputes between countries

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

55. Country A is experiencing a balance of payments deficit. Which of the following measures would it normally take 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.

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. Output method
IV. Expenditure method

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

58. The term 'e-commerce' refers to

(A) ecotourism
(B) export business
(C) electronic business
(D) economies of scale

59. One example of an 'entrepreneur' is

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

60. Trade liberalization should result in several benefits to consumers. Which of the following is NOT a benefit to consumers?

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

**END OF TEST**

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