

Read each question carefully. Use the Multiple Choice answer sheet provided for this section. Choose the ONE answer you think is correct. Answer ALL questions. Each question is awarded one mark.

1. Which of the following activities is essential to Economics?

- A. capitalization
- B. Choice
- C. creating growth
- D. creating leisure [1]

2. Which of the following is "wealth" in Economics?

- A. flow of money
- B. revenue of the country from trade
- C. stock of goods
- D. taxation by the government [1]

3.. Which of the following terms represent the real cost of using resources to produce a particular good?

- A. cost of production
- B. fixed cost
- C. marginal cost
- D. opportunity cost [1]

4. Which of the following economic problems is more likely to be a problem of the individual rather than of the community?

- A. how income is to be distributed within the economy
- B. the form in which wealth should be kept
- C. resource allocation among production units
- D. provisions to be made for economic growth [1]

5. In a free market economy, who normally performs the function of taking risks? The

- A. civil service
- B. entrepreneur
- C. Government
- D. workforce [1]

6. Who are the owners of a public limited company? The

- A. bondholders
- B. Government
- C. local community
- D. Shareholders [1]

7. When a company is being formed, which of the following is not included in the Articles of Association?

- A. division of profit
- B. procedures for electing directors
- C. the rights of shareholders
- D. the type of company, whether private or public [1]

8. In which year was Local Government introduced to the Islands of The Bahamas?

- A.1992 B. 1994 C. 1996 D. 1997

9. If you receive a book by post which you have not ordered, which Act of Parliament protects your consumer rights to keep the book?

- A. The Consumer Credit Act
- B. The Trade Descriptions Act
- C. The Unsolicited Goods and Services Act
- D. The Weights and Measures Act [1]

10. Which of the following is a member of the money market?

- A. Commercial Banks
- B. Investment Trusts C. Pension Funds
- D. Stockbrokers [1]

11. What is the market for "second-hand" securities known as?

- A. a commodity exchange
- B. a stock exchange
- C. the capital market
- D. the new issue market [1]

12. Which one of the following measures could be taken by an employer during an industrial dispute?

- A. go-slow B. lock-out C. picketing D. work-to-rule. [1]

13. What causes frictional unemployment?

- A. new methods of production reduce the need for labour
- B. some major industries decline
- C. there is a general fall in demand
- D. workers are temporarily between jobs. [1]

14. Which category provides the largest source of tax revenue for the Bahamian government?

- A. corporation tax
- B. custom duties
- C. departure tax
- D. stamp duties [1]

15. A motor car manufacturer buys a chain of showrooms to sell new cars to the public. What type of integration does this represent?

- A. backward vertical integration
- B. diversification/ conglomerate integration
- C. forward vertical integration
- D. horizontal integration [1]

16. What name is given to the difference between visible exports and visible imports? Balance of

- A. Gold and dollar reserves
- B. invisible Trade
- C. Payments on current account
- D. Visible Trade [1]

17. Which one of the following is the sole note issuing authority of The Bahamas?

- A. The Bahamas Development Bank
- B. The Bank of The Bahamas
- C. The Central Bank of The Bahamas
- D. The Royal Bank of Canada [1]

19. Why are cheques NOT legal tender?

- A. Some are not tendered by reputable people
- B. They are accepted everywhere
- C. They are not made acceptable by law
- D. They are not valid documents. [1]

20. Which of the following is the LEAST acceptable location for the site of a large factory in New Providence?

- A. an industrial park
- B. a port/dock area
- C. a re-development area
- D. a residential area [1]

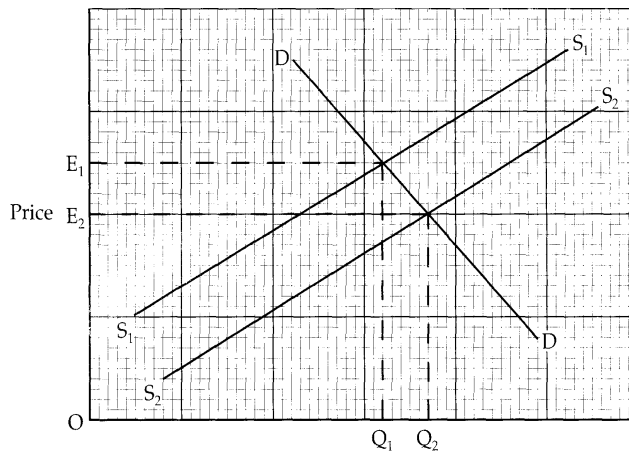
21. The illustration shows a ticket to the cinema

RND CINEMAS				
LOCATION	TITLE			
PCSC				
NO:				
10720004	HARRIET THE SPY			
Fri 20 - Sep -1996				
Child/Mat C 03:50				
BRINA	207/9	Fri	16:06	1.50
TP	DATE	DAY	TIME	PRICE

In which category of production do RND Cinemas fall?

- A. extractive production
- B. primary production
- C. secondary production
- D. tertiary production [1]

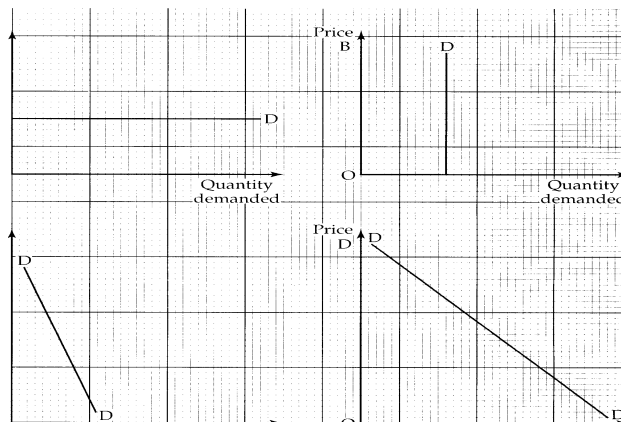
22 The diagram below shows the effect of the government granting a subsidy to producers making a product.



What is the market price after the introduction of the subsidy?

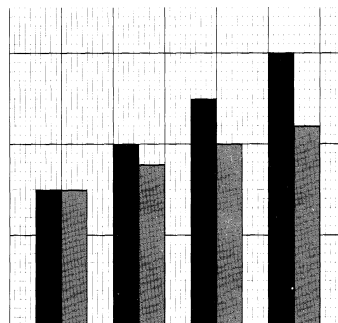
- A. E1 B. E2 C. Q1 D. Q2

23. The diagrams labelled A to D show four demand curves.



Which diagram shows the curve which is perfectly elastic? [1]

24. The diagram shows a firm's total revenue and total cost.



Which of the following shows the break-even point for this firm?

25. Which factor will most affect the amount saved by an individual?

- A. the advice from family and friends
- B. the government's policy
- C. the size of their income
- D. the time of the year [1]

26. Which of the following is MOST likely to be found in a country with a low standard of living?

- A. high educational levels
- B. high foreign investments
- C. high infant mortality
- D. high life expectancy [1]

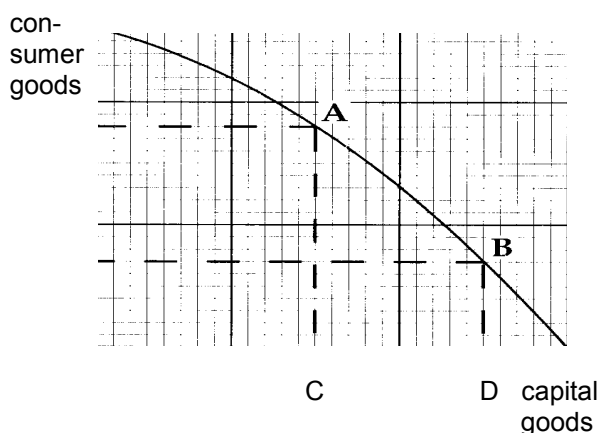
27. Which one of the formulas calculate price elasticity of demand?

- A. $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}}$
- B. $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$
- C. $\frac{\% \text{ change in price}}{\% \text{ change in quantity demanded}}$
- D. $\frac{\% \text{ change in price}}{\% \text{ change in quantity supplied}}$ [1]

28. A large washing powder company created a new laundry detergent which can be used in low or high temperatures in the washing machine. What type of economy of scale does this represent?

- A. a managerial economy of scale
- B. a marketing economy of scale
- C. an economy of scale using research and development
- D. an external economy of scale [1]

29. The diagram below shows the production possibility curve of a community under full employment conditions.



What do the points A and B represent?

- A. A full employment output at point A and a less than full employment output at point B.
- B. The community's demand for capital goods AC and consumer goods OD.
- C. The maximum possible output of capital goods AC and consumer goods OD.
- D. Two possible combinations of capital goods and consumer goods the community can produce. [1]

30. The basic economics problem that ALL economies have to face is

- A. high rate of inflation.
- B. high levels of unemployment.
- C. maintaining income flows.
- D. scarcity of resources. [1]

31. A consumer has to choose between a laptop computer costing \$1,700 and a home entertainment center for \$2,000. He chooses the laptop computer. His opportunity cost in this case is

- A. the benefit derived from the laptop computer.
- B. the home entertainment center.
- C. the price of the laptop computer \$1,700.
- D. the price of the home entertainment center \$2,000. [1]

32. A lawyer providing legal aid at lower costs to juvenile victims of crime is operating under which sector of production?

- A. charitable B. primary C. secondary D. tertiary [1]

33. Which of the following is NOT considered a consumer good?

- A. a security system installed in a supermarket
- B. the newly purchased dining room set at home
- C. your home personal computer
- D. your Nintendo game set. [1]

34. In a market economy, the problem of what to produce is solved by

- A. the consumers.
- B. the consumers and the government.
- C. the government only.
- D. the interaction of demand and supply. [1]

35. In economics "free goods" are

- A. foreign aid obtained through international aid agencies.
- B. goods that are given in charity by churches.
- C. goods that are in abundant supply and have no opportunity cost.
- D. goods that are usually provided by the government at no extra cost. [1]

36. If the productivity in the Bahamas increases, the most likely effect on families will be

- A. a decrease in the standard of living.
- B. an increase in the cost of living.
- C. an increase in the standard of living.
- D. fewer opportunities. [1]

37. The most important reason for the concentration of population in any area of a country is

- A. availability of employment opportunities.
- B. beautiful scenery.
- C. good schools for children.
- D. sufficient leisure activities. [1]

38. Which of the following is an essential characteristic of money?

- A. It is generally acceptable.
- B. It is legal tender.
- C. It has intrinsic value.
- D. It must be backed by gold reserves. [1]

39. In economics, production is said to be complete when the goods

- A. are in a finished state.
- B. are approved by the government as acceptable.
- C. have reached the consumer.
- D. have reached the wholesaler. [1]

40. The document issued by a public limited company when it sells its shares through a stock market is the

- A. Articles of Association
- B. Letter of Intent
- C. Memorandum of Association
- D. Prospectus. [1]

41. Which ONE of the following statements is NOT true in a mixed economy?

- A. People work in privately owned companies
- B. Prices of goods and services are usually subject to the forces of demand and supply
- C. The government usually subsidises health and education services.
- D. There is no public ownership of resources.

42. A country exports goods and services of \$12m and imports goods and services of \$9m. What is the country's balance of trade?

- A. \$3m deficit
- B. \$3m surplus
- C. \$21m deficit
- D. \$21m surplus [1]

43. Wages of daily workers are a cost to a firm. What type of cost are they?

- A. average cost
- B. fixed cost
- C. total cost
- D. variable cost [1]

44. The Population of a Country, A is 150,000 persons. Study the table below.

Industry Employed	Number of Persons
Salt Mining	3,000
Service	12,500
Fishing	12,000
Agriculture	6,300
Government	59,000
Finance & Banking	36,700
Construction	11,500

How much of the population is employed in the Extractive Industry?

- A. 3,000
- B. 15,000
- C. 21,300
- D. 34,80 [1]

Assuming that there are no dependence. Using the table in question 44,

45. How much of the population is unemployed?

- A. 7,000
- B. 5,000
- C. 8,000
- D. 9,000

46. What is the rate of unemployment?

- A. 6
- B. 8%
- C. 7%
- D. 6%

47. A firm is able to place a large order for its raw materials and enjoys 30 day credit terms. What type of economy of scale is suggested?

- A. external economy
- B. internal economy
- C. marketing economy
- D. risk-bearing economy [1]

48. The purchase of machines are a cost to a firm. What type of cost are they?

- A. average cost
- B. fixed cost
- C. total cost
- D. variable cost [1]

49. The difference between Gross National Product (GNP) at factor cost and Gross Domestic Product (GDP) at factor cost lies in

- A. depreciation (Capital consumption).
- B. exports.
- C. net property income from abroad.
- D. the level of stocks. [1]

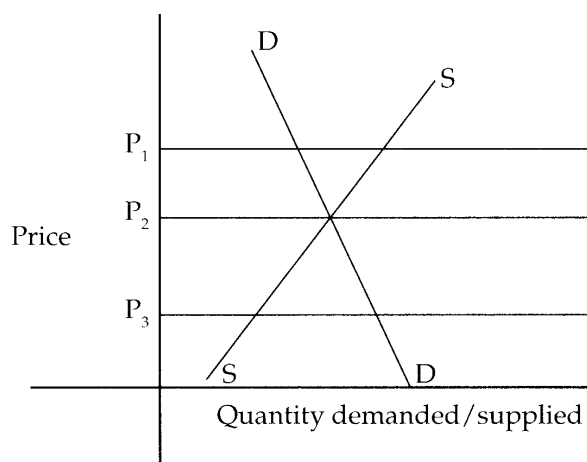
50. Which of the following functions of money removes the need for a double coincidence of wants?

- A. a standard of deferred payment
- B. a store of value
- C. a medium of exchange
- D. a unit of account [1]

51. Referring to the diagram in question 52, which of the following would happen if the government reduced the maximum price from P2 to P3.

- A. Farmers will suffer reduced income.
- B. Prices will be unstable.
- C. There will be a new demand market schedule.
- D. There will be insufficient demand.

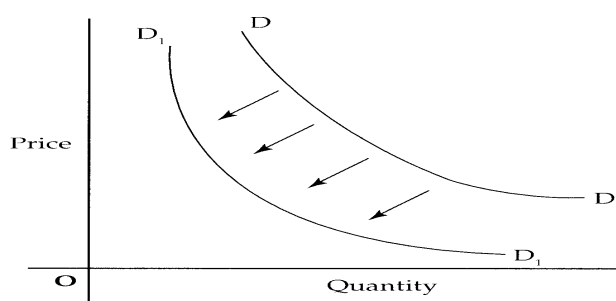
52. The following diagram represents the demand and supply for an agricultural commodity by the government.



53. If a maximum price of P1 is set, then there would be A.

- A. a new equilibrium.
- B. a shortage in supply.
- C. an excess supply.
- D. no effect on supply or demand. [1]

54. The following graph shows the demand for chickens.



Which ONE of the following reasons is likely to cause the demand curve to move from D1 to D?

- A. a fall in consumers' incomes
- B. a fall in the price of chicken
- C. a fall in the supply of chicken
- D. an increase in the price of fish [1]

55. The government would like to reduce the country's birth rate. Which of the following policies would be most likely to achieve this?

- A. increasing child benefits
- B. increasing paid maternity leave
- C. promoting health consciousness involving contraceptives
- D. reducing taxes on baby furniture [1]

56. The table shows the number of video recorders and cameras produced per unit of effort in two countries X and Y, where country X has an absolute advantage in producing both items.

	Video Recorders	Cameras
Country X	10	20
Country Y	8	8

Assuming maximization of production exists, which statement is true?

- A. Country X has comparative advantage in the production of video recorders.
- B. Country Y has comparative advantage in the production of video recorders.
- C. Country Y will import both commodities from country X.
- D. There can be no international trade between the two countries. [1]

57. The table below shows the price and quantity demanded for frozen lobster meat per pound.

Price \$	Quantity Demanded
14	8
16	6
19	3

What would be the price elasticity of demand for frozen lobster meat be when the price falls from \$19 to \$16 per pound?

- A. 0.375
- B. 0.631
- C. 5.33
- D. 6.33

58. The exchange rate of British pounds to the U.S. dollar is £1.00 = \$1.50. How much would a person in the United Kingdom pay in British pounds for an American car costing \$20,000?
£12,667 B. £13,333 C. £18,000 D. £30,000
59. Which is NOT an advantage of a crossed cheque?
A. It cannot get lost.
B. It ensures security if it is lost.
C. It can be deposited into a bank account only
D. It can be endorsed to a third party for payment. [1]
60. When a wage earner earns more than the wage necessary to keep him in his job, the extra payment is known as
A. economic rent
B. fringe benefits
C. real wages
D. transfer earnings [1]
61. Which ONE of the following is a direct tax?
A. consumption tax
B. inheritance tax
C. road taxes
D. tax on gasoline [1]
62. Assuming all other things remain unchanged, which ONE of the following would tend to increase unemployment?
A. a reduction in indirect taxation
B. an increase in government spending
C. an increase in investment
D. an increase in saving [1]
63. The government would like to reduce the country's birth rate. Which of the following policies would be most likely to achieve this?
A. increasing child benefits
B. increasing paid maternity leave
C. promoting health consciousness involving contraceptives
D. reducing taxes on baby furniture [1]
64. Choice is a basic economic activity because
A. incomes are too high in some countries.
B. resources are scarce.
C. there is a high rate of inflation.
D. there are too many goods to choose from. [1]
65. A farmer in Abaco canning fruits for sale is engaged in which of the following stages of production?
A. conversion B. primary C. secondary D. tertiary
66. What is the likely consequence of division of labour in an industry?
A. greater job satisfaction
B. higher cost of production
C. more efficiency in production
D. reduced mechanisation [1]
67. The most significant influence on resource allocation in a market economy is the
A. commercial banks.
B. government directives.
C. price mechanism.
D. producers. [1]
68. Which is an example of fixed capital?
A buildings B. cash at bank C. stationery and supplies
D. stock of raw material [1]
69. Which is an economic feature of a developing country?
A. high level of crime
B. high level rate of capital growth
C. low level of employment
D. low population growth [1]
70. The Law of Diminishing Returns states that with the employment of extra workers, all other things being equal, the
A. average output increases.
B. marginal output increases.
C. Marginal output decreases.
D. total output decreases. [1]
71. A decrease in the supply of labour in a country may be caused by
A. a high birth rate.
B. an increasing proportion of retired people.
C. a large population.
D. a lowering of the school leaving age [1]
72. An audio CD is twice the price of an audio cassette. You decide to buy two audio CDs for \$20. The price of an audio cassette is \$5. What is the OPPORTUNITY COST of the two CDs?
A. \$10 B. \$20 C. 2 audio cassettes
D. 4 audio cassettes [1]
73. Which of the following is NOT a function of money?
A. a substitute for cheques B. measure of value.
C. medium of exchange
D. store of value [1]

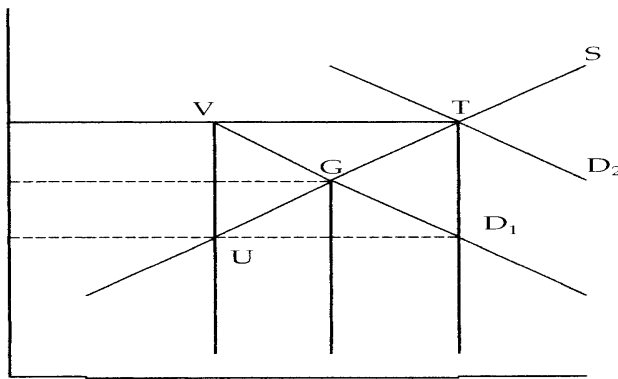
74. Which of the following is a diseconomy of scale?

- A. advertising expands the market.
- B. the cost of labour becomes expensive
- C. cheaper machinery can be used.
- D. capital is available at low interest rates. [1]

75. A Business that restricts share transfer is called a

- A. multinational.
- B. franchise.
- C. Public limited company.
- D. Private limited company

The following diagram refers to the demand and supply of a normal good. Use the diagram to answer Questions 76, 77, 78 and 79.



76. What point represents the original equilibrium

- A. point V.
- B. point U.
- C. point G.
- D. point T

77. What happened at the point V?

- A. Price increased
- B. price decreased.
- C. income increased.
- D. population increased.

78. At point U:

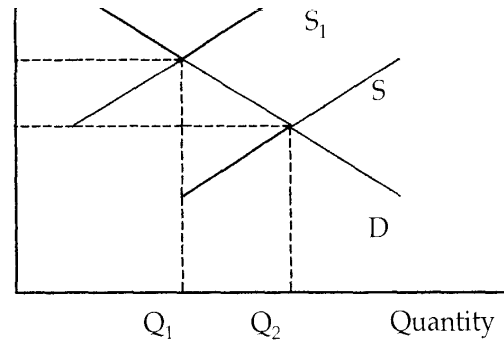
- A. there is an excess supply.
- B. Demand and supply intersects
- C. There is an excess in demand
- D. Nothing, it's a silly diagram [1]

79. What may have caused the point T to be an the diagram?

- A. an increased in price.
- B. A decrease in the population of the community.
- C. An increase in income of individuals
- D. An increase in the price of a compliment.

80. Study the graph below and then answer the question.

Price



Which of the following might account for the supply curve moving from S to S1?

- A. a subsidy given by the government to the producer
- B. a tax imposed by the government on the goods
- C. an increase in incomes of the consumers
- D. an increase in demand for the product [1]

Study the following figures which show the elasticity of demand for different goods and then answer question 80 - 83.

- V. Ped. = 1.
- W. $0 < ped. < 1$
- X. $1 < ped < infinity$
- Y. ped = 0
- Z. Ped = infinity

80. Which letter represents perfect elasticity?

- A. V.
- B. Y.
- C. Z.
- D. W.

81. At this point the good is said to be just elastic:

- A. X.
- B. W.
- C. V.
- D. Y.

82. Point V represents:

- A. elasticity.
- B. Unitary elasticity.
- C. inelasticity.
- D. perfect inelasticity.

83. At this point, the good is just inelastic:

- A. X.
- B. W.
- C. V.
- D. Y.

84. Which of the following is NOT a possible hazard for consumers?

- A. Goods which are not suitable for the purpose intended.
- B. Items incorrectly described on the package.
- C. Leaflets accompanying goods describing how to use them.
- D. Prices manipulated to give a false idea of bargain. [1]

85. The requirement to have a sell-by date on some prepackaged goods comes under the

- A. Food and Drugs Act
- B. Prices Act
- C. Sale of Goods Act
- D. Weights and Measures Act [1]

86. A bank would count which of the following as a part of its liquid assets?

- A. bank notes
- B. bank orders
- C. buildings
- D. long-term loans. [1]

87. A company declares a dividend of 12% on its ordinary shares. A shareholder purchased 1000 ordinary shares of \$1 each at market price of \$5. What amount of dividend will he be expecting to receive?

- A. \$60
- B. \$120
- C. \$500
- D. \$600 [1]

88. Which of the following would be considered a source of short-term loan for a businessman?

- A. a personal guarantee
- B. personal savings
- C. loans from a merchant
- D. trade credit received. [1]

89. Trade unions are more likely to succeed in bargaining for higher wages under which of the following conditions?

- A. availability of large numbers of workers
- B. high productivity of workers
- C. low levels of profit
- D. very good working environment [1]

Read the following information and then answer questions 90, 91, 92 and 93,

	Country X \$	Country Y \$
Visible Exports	48 440	47 322
Visible Imports	58 640	57 400
Invisible Balance	2 530 (surplus)	3 440 (deficit)

90. The Balance of Trade for Country X is:

- A. \$200. Surplus.
- B. \$200 deficit.
- C. \$2,330 surplus.
- D. \$2,330 deficit.

91. The Balance of trade for Country Y is:

- A. \$10,078 surplus.
- B. \$10,078 deficit.
- C. \$13,518 deficit.
- D. \$13,518 surplus.

92. What is the Balance of Payment on Current Account for Country X?

- A. \$200. Surplus.
- B. \$200 deficit.
- C. \$2,330 surplus.
- D. \$2,330 deficit

93. What is the Balance of Payment on Current Account for Country Y?

- A. \$10,078 surplus.
- B. \$10,078 deficit.
- C. \$13,518 deficit.
- D. \$13,518 surplus.

94. Holding of liquidity to earn future profits may be described as which of the following motives?

- A. consumption
- B. precautionary
- C. speculative
- D. transactions [1]

95. Which of the following may result from an employment freeze by the government during the time of inflation?

- A. an increase in the income of employed persons
- B. a fall in the interest rates
- C. a fall in the supply of cash in the economy
- D. a fall in the monetary value of goods and services [1]

96. A non-durable capital good may be

- A. hamburger rolls used by Wendy's
- B. machinery used in a factory
- C. small tools used for domestic purposes
- D. the stock of canned food purchased before a hurricane [1]

97. Lowering of interest rates in a country may often lead to

- A. higher consumption of goods and services.
- B. higher incomes for lenders.
- C. higher prices of goods and services
- D. slower rate of economic growth. [1]

98. If the inflation rate was 5%, how much extra would a Bahamian family with a weekly income of \$200 need to maintain the same standard of living?

- A. \$5
- B. \$10
- C. \$15
- D. \$20.

99. A government may use taxation for which of these purposes?

- A. discouraging habits of smoking and drinking
- B. discouraging gambling
- C. encouraging savings
- D. increasing its level of income [1]