

 Cambridge Assessment International Education		
GRADE: 9 th	SUBJECT: Economics	DATE: 22/06/2020
WORKSHEET NUMBER:1	WORKSHEET TOPIC: The Basic Economic Problem	
INSTRUCTION (IF ANY):	Try and answer the below question, If you face any difficulty please call me.	

PRACTICE QUESTIONS UNIT 1: The Basic Economic Problem

1.1 The nature of the economic problem; 1.2 The factors of production; 1.3 Opportunity cost; 1.4 Production possibility curve diagrams (PPC)

Structured essay questions

- 1 Firms use different quantities of land, labour, capital and enterprise in producing their products. The ways in which a country's resources can be used, and the extent to which they are employed, can be shown on a production possibility diagram.

(a) What is the difference between capital and land? [2]

(b) Explain two reasons why a firm may decide to use more labour and less capital in producing its products. [4]

(c) Analyse, using a production possibility diagram, the effect on an economy's output when there is a change from full employment to unemployment. [6]



(d) Discuss whether it is always possible for a country to have low unemployment and low inflation at the same time [8]

Q3/22/F/M/17

- 2 In 2013, an earthquake on the Iran/Pakistan border destroyed many factories and homes. Some officials wanted the Governments to rebuild the factories and homes, even though there would be an opportunity cost. Others suggested that some people should be encouraged to emigrate.

(a) Define 'opportunity cost'. [2]

(b) Explain why the economic problem can never be solved. [4]



Using a production possibility curve diagram, analyse the effect of the [6]

(c) destruction of some of its resources on an economy.

(d) Discuss whether a country will benefit from the emigration of some of its people.

[8]

Q2/21/M/J/15

3 Students have to consider the opportunity cost of going to university. University graduates usually earn more than people who have not gone to university. Having more graduates influences a country's production possibility curve. Some economists suggest that students should pay the full cost of their university courses and accommodation. Others say that the government should pay some or all of the cost.

(a) Describe a possible opportunity cost of a student going to university.

[2]

(b) Explain why university graduates usually earn more than people who have not gone to university.

[4]

(c) Using a production possibility curve diagram, analyse what effect an increase in the number of graduates will have on an economy.

[6]

(d) Discuss whether graduates should pay the full cost of their university education.

[8]

Q2/22/M/J/15

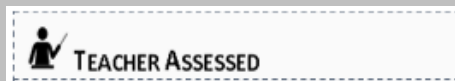
4 In 2009, the unemployment rate in Spain was 8% and the annual inflation rate was 3%. By April 2013, the unemployment rate had reached a record 27% but the annual inflation rate had fallen to 2%. The resulting rise in government spending on unemployment benefits involved an opportunity cost.

(a) Define 'inflation'.

[2]

(b) Explain why government spending on unemployment benefits involves an opportunity cost.

[4]



(c) Using a production possibility curve diagram, analyse the effect of an increase in unemployment on a country's output.

[6]

(d) Discuss whether a rise in unemployment will cause a fall in inflation.

[8]

Q2 M/J/23/15

Multiple-choice questions

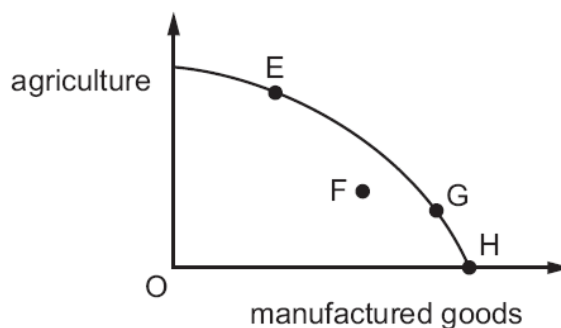
- 1 A person bought a shop and stocked it with fresh fruit. He employed one member of his family to help in the shop.

Which factors of production have been used?

- A labour and capital only
- B labour, capital and enterprise only
- C land and labour only
- D land, labour, capital and enterprise

Q1/12/F/M/17

- 2 The diagram shows a production possibility curve for a country. As a result of an increase in demand for manufactured goods it moves from a situation of unemployment to full employment.

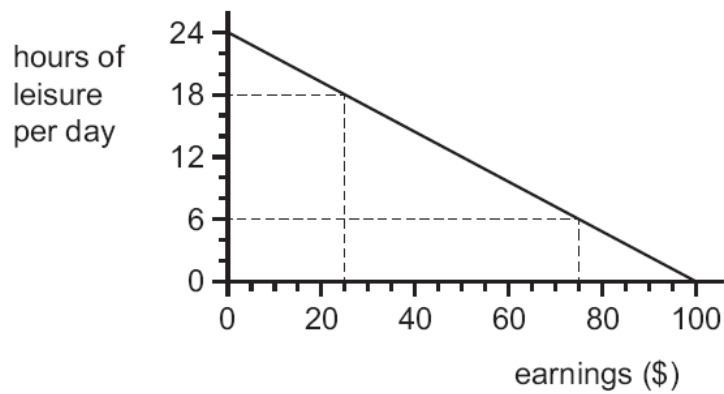


How would this be represented on this diagram?

- A by a movement from E to G
- B by a movement from F to E
- C by a movement from F to G
- D by a movement from G to H

Q2/12/F/M/17

- 3 The diagram shows the choices for an individual between leisure and earnings. He currently earns \$25 a day.



What is the opportunity cost for the person if he accepts more work and earns \$75 a day?

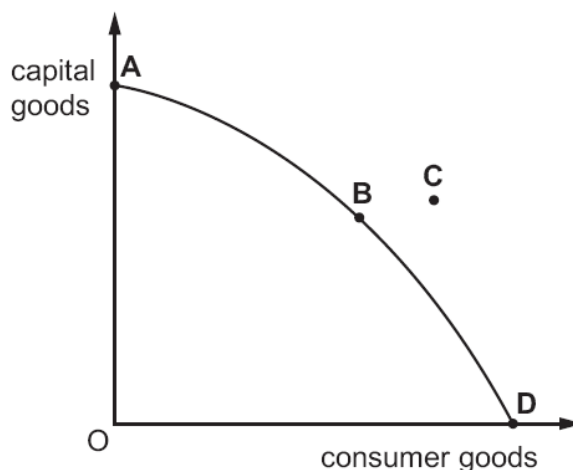
- A \$25
- B \$50
- C 6 hours of leisure a day
- D 12 hours of leisure a day

Q3/12/F/M/17

- 4 Which combination of terms gives the general definition of the economic problem?
- A bigger families, less food, starvation
 - B falling supply, rising demand, shortage
 - C higher population, fewer jobs, unemployment
 - D limited resources, unlimited wants, scarcity

Q1/11/M/J/17

- 5 The diagram shows a production possibility curve for an economy. Which point on the diagram is the most efficient for the economy to produce both consumer goods and capital goods?



Q3/11/M/J/17

6 Which is not a factor of production?

- A a farm
- B a farmer
- C a farmer's bank account
- D a second-hand tractor

Q1/12/M/J/17

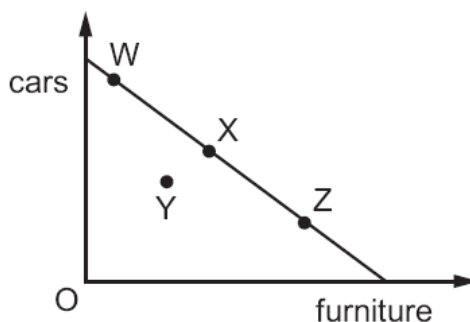
7 Heavy rain caused floods in an area of a country.

What may be an opportunity cost of repairing the damage caused?

- A the allocation of government funds to the area instead of on a new airport
- B the cost of providing shelter for those made homeless
- C the decline in the tourist industry in the area
- D the loss of profits from businesses affected by the flood

Q2/12/M/J/17

8 The diagram shows a production possibility curve for cars and furniture.



A recession causes a decrease in production in both cars and furniture.

Which movement would represent this change?

- A X to W
- B X to Y

- C Z to W
- D Z to Y

Q3/12/M/J/17

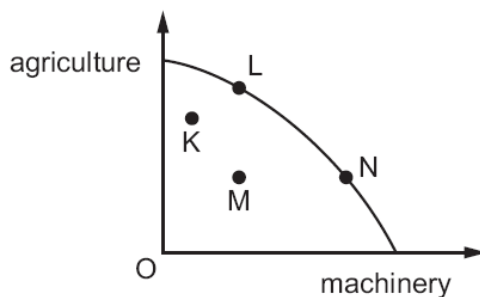
- 9 Which statement about factors of production is correct?
- A The fruit picked from the tree is called land.
 - B The managers of a company are called enterprise.
 - C The money used to finance a project is called capital.
 - D The owner of a company is called labour.

Q1/13/M/J/17

- 10 A person can make 10 items to sell on a craft stall in a day.
What is the opportunity cost if the person decides to paint a picture instead?
- A 10 craft items
 - B the cost of the materials for the craft items
 - C the cost of the paint for the picture
 - D the value of the picture

Q2/13/M/J/17

- 11 The diagram shows a production possibility curve for agriculture and machinery.



As a country develops, its primary production decreases and its secondary production increases.

Which movement would represent this change?

- A K to L
- B L to N
- C M to N
- D N to L

Q3/13/M/J/17

- 12 An oil company announced in 2015 that it was starting its drilling operations for oil deposits in the Arctic Ocean.
What will be the effect of this?

- A to increase the supply of raw materials
- B to reduce the level of technology available
- C to solve the economic problem
- D to worsen resource allocation

Q1/11/O/N/17

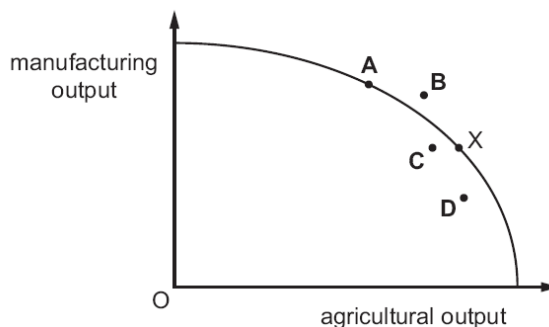
13 A self-employed fortune teller earns a living by reading the palms of people's hands. Which factors of production are essential to this activity?

- A capital and enterprise
- B enterprise and labour
- C labour and land
- D land and capital

Q2/11/O/N/17

14 A country is operating at point X on its production possibility curve (PPC). A drought significantly reduces agricultural output.

Which point represents the new position?



Q3/11/O/N/17

15 Economists refer to factors of production.

Which is not a factor of production?

- A the fields of a farm
- B the machinery in a factory
- C the shares of a company
- D the staff in an office

Q1/12/O/N/17

16 Which terms summarise the nature of the economic problem?

- A finite resources and limited wants
- B finite resources and unlimited wants
- C infinite resources and limited wants
- D infinite resources and unlimited wants

Q1/31M/J/10

- 17** Which statement about the factors of production is correct?
- A** A river from which a company draws water is called land.
 - B** Raising finance for a company is called capital.
 - C** Supervisors employed in a company are called enterprise.
 - D** The owner of a company is called labour.

Q2/31/M/J/10

- 18** Which economic change would increase the problem of scarcity?
- A** a decrease in fish stocks
 - B** a discovery of a new oil field
 - C** an increase in labour productivity
 - D** a reduction in waste

Q3/31/M/J/10

- 19** The government of a country with a rapidly increasing population decides to switch resources from investment to increased subsidies to farmers.

What is the opportunity cost of this decision?

- A** the profit earned by farmers
- B** the rent of the land on which food is grown
- C** the reduction in investment
- D** the wages of the farm workers

Q4/31/M/J/10

- 20** What makes choice an important element in the basic economic problem?

- A** Increased demand leads to higher market prices.
- B** Limited resources have many alternative uses.
- C** Reaching a market equilibrium may take a long time.
- D** Scarce economic resources are distributed equally.

Q1/31/O/N/10

- 21** What is a factor of production?

- A** an advantage of producing on a large scale
- B** a resource used to produce goods and services
- C** a sub-section of a manufacturing process
- D** a unit of output

Q2/31/O/N/10

- 22** A government is faced with the choice of spending on either education or healthcare.

Of what is this an example?

- A** conservation of resources
- B** monetary policy
- C** opportunity cost

D substitution of factors

Q3/31/O/N/10

23 A farmer pays a landowner for the use of a field.

What is the income to the landowner called?

- A interest
- B profit
- C rent
- D wages

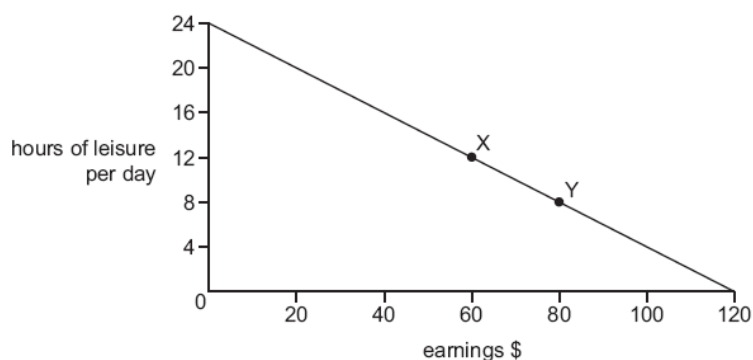
Q4/31/O/N/10

24 What economic concept must be at work when there is movement by a country along its production possibility curve?

- A economies of scale
- B equilibrium price
- C maximum profit
- D opportunity cost

Q1 M/J/12/16

25 The diagram shows the choices for an individual between leisure and earnings.



The person decides to take a job that gives more leisure time.

What is the opportunity cost to the individual of moving from position Y to position X?

- A \$20
- B \$80
- C 4 hours of leisure per day

D 12 hours of leisure per day

Q2 M/J/12/16

26 What is the best example of the existence of the economic problem?

- A A government provides accommodation for all those who are homeless.
- B A police force has a lengthening list of unsolved crimes.
- C Janitha hands her homework in at the last permitted deadline.
- D Musa completes his journey without putting petrol in his car.

Q3 M/J/12/16

27 Which statement about a production possibility curve is correct?

- A A production possibility curve is an alternative name for an industry supply curve.
- B A production possibility curve is an economic model of potential output.
- C A realistic production possibility curve must be drawn as a straight line.
- D A production possibility curve applies only to an economy's production of goods.

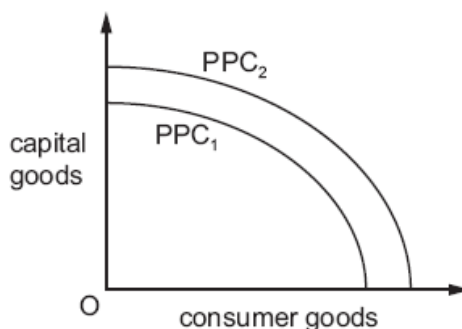
Q1 M/J/13/16

28 Which firm is likely to find it most difficult to expand the use of its main factor of production?

- A a farm growing crops in extensive fields
- B a technology firm dependent on risky innovations
- C a textile firm making use of labour-intensive systems
- D an engineering firm relying upon capital-intensive methods

Q2 M/J/13/16

29 The diagram shows an initial production possibility curve of PPC_1 .



What may cause the movement of the production possibility curve from PPC_1 to PPC_2 ?

- A a better educated workforce
- B a decrease in availability of raw materials
- C increased wages
- D lower productivity

Q1 M/J/11/16




30 An increase in the number of manufacturing robots in the car manufacturing industry represents an increase in the quantity of which factor of production?

- A capital
- B enterprise
- C labour
- D land

Q2 M/J/11/16

ANSWERS

1.		6.		11.		16.		21.	
2.		7.		12.		17.		22.	
3.		8.		13.		18.		23.	
4.		9.		14.		19.		24.	
5.		10.		15.		20.		25.	

 Cambridge Assessment International Education	 SANSKAR SCHOOL <i>The Revival of Tradition</i>	
GRADE: 9 th	SUBJECT: Economics	DATE: 27/06/2020
WORKSHEET NUMBER:2	WORKSHEET TOPIC: Revision Basic Economic Problem	
INSTRUCTION (IF ANY):	Watch The videos and PPT uploaded on Classroom.	

Solve the below question Answer

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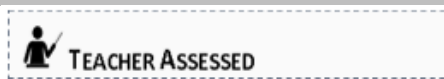
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Q3/22/F/M/17

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TEACHER ASSESSED

(c) Using a production possibility curve diagram, analyse the effect of the destruction of some of its resources on an economy. [6]

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Q2/21/M/J/15

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Q2/22/M/J/15

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TEACHER ASSESSED

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increase in unemployment on a country's output.

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[8]

Q2 M/J/23/15

Multiple choice questions

- 1 What is measured on the vertical axis of a demand diagram?
- A Cost
 - B Price
 - C Quantity demanded
 - D Wants
- 2 What happens to people's willingness and ability to buy a product when its price falls?
- | Willingness | Ability |
|-------------|-----------|
| A increases | increases |
| B increases | decreases |
| C decreases | decreases |
| D decreases | increases |
- 3 An increase in demand is represented by:
- A A movement down the demand curve
 - B A movement up the demand curve
 - C A shift to the left of the demand curve
 - D A shift to the right of the demand curve
- 4 The price of a product rises. What will happen to the demand for its complement?
- A It will contract
 - B It will extend
 - C It will decrease
 - D It will increase

Four-part question

- a Define *market demand*. (2)
- b Explain the relationship between demand and a change in price. (4)
- c Analyse the effect of a rise in the price of tea on the demand for milk and the demand for coffee. (6)
- d Discuss whether or not the demand for bicycles will rise in the future. (8)

Demand: the willingness and ability to buy a product.

Market demand: total demand for a product.

Aggregation: the addition of individual components to arrive at a total amount.



KEY TERM

Extension in

demand: a rise in the quantity demanded caused by a fall in the price of the product itself.

Contraction in demand: a fall in the quantity demanded caused by a rise in the price of the product itself.

Changes in demand:

shifts in the demand curve.

Increase in demand:

a rise in demand at any given price, causing the demand curve to shift to the right.

Decrease in demand:

a fall in demand at any given price, causing the demand curve to shift to the left.

Normal goods:

a product whose demand increases when income increases and decreases when income falls.

Inferior goods:

a product whose demand decreases when income increases and increases when income falls.

Substitute: a product that can be used in place of another.

Complement: a product that is used together with another product.

Ageing population: an increase in the average age of the population.

Birth rate: the number of live births per thousand of the population in a year.