



PRACTICES

1. An unemployed worker accepts a job.

Which of the following is the opportunity cost of this decision?

- A the cost of travel to work
- B the income from the new job
- C the leisure time lost
- D the training in the new job

2. A hospital cannot treat all the people that need treatment. This is an example of

- A excess supply.
- B limited wants.
- C scarcity.
- D unlimited resources.

3. Which statement best explains why drought is an economic problem?

- A Drought cannot be controlled.
- B Rainfall is unreliable.
- C The effects of drought involve the government.
- D Water is a scarce good.

4. In 2002 the government of Zimbabwe diverted US\$18 million, originally intended to support private business, to help feed millions of people threatened by famine. Some of the money was used to import up to 1.8 million tonnes of corn. What was the opportunity cost to Zimbabwe of this decision?

- A the cost of the extra food
- B the cost of the 1.8 million tonnes of corn
- C the effect on private business
- D the US\$18 million

5. A factory working at full capacity is producing tennis racquets and golf clubs. The management decides to produce fewer racquets and more clubs because of an increase in demand for golf clubs.

What is the opportunity cost of producing more golf clubs?

- A the cost of retraining some workers to make golf clubs
- B the cost of transporting and selling the extra golf clubs produced
- C the materials bought to make extra golf clubs
- D the tennis racquets that will not now be produced

6 Construction companies are building new houses on land previously used for farming.

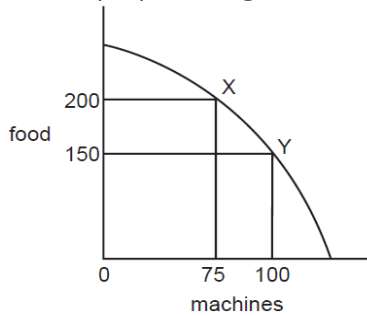
What is the opportunity cost to society of this activity?

- A improved living conditions
- B less congestion in city centres
- C more homes for new homeowners
- D some farm output



Secondary school

7 An economy is producing at X.



What is the opportunity cost of choosing to produce at Y instead of X?

- A 25 machines
- B 50 units of food
- C 75 machines
- D 150 units of food

8 Economic growth in Russia and China used to be led by the public sector. Now it results more from activities in the private sector. However, both sectors are important. Which term describes the current system in Russia and China?

- A market
- B mixed
- C planned
- D subsistence

9 Which action is evidence that a country is a planned economy?

- A A central bank plans an interest rate change.
- B A government plans the allocation of all resources.
- C A local authority plans a new library.
- D A ministry of finance plans the annual budget

10 In a market economy, what does the entrepreneur decide?

- A the combination of resources used
- B the demand for the product
- C the equilibrium price of the product
- D the level of profits

11 China is changing from a centrally planned economy towards a market economy. How will the influence of consumers and the government change?

- | | <u>consumers</u> | <u>government</u> |
|---|------------------|-------------------|
| A | decrease | decrease |
| B | decrease | increase |
| C | increase | decrease |
| D | increase | increase |

12 If a planned economy became a mixed economy, which industry would be most likely to remain under government control?

- A agriculture
- B coal mining
- C defence
- D motor car production



Secondary school

13 A free market economy is more likely than a planned economy to encourage development because:

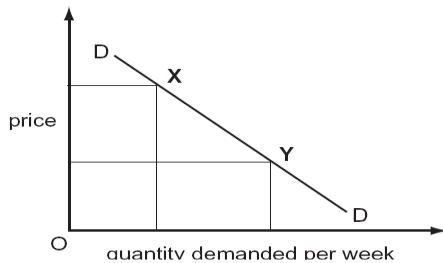
- A equality of income is encouraged.
- B factors of production would be employed efficiently.
- C government intervention uses taxes and subsidies.
- D social costs are taken into consideration.

14 Each country of Southern Africa has a mixed economy.

Which statement about a mixed economy is correct?

- A The government employs most primary sector workers.
- B The government owns all major secondary sector industries.
- C The government owns the transport network.
- D The government provides public and merit goods.

15 The diagram shows the demand for chocolate.



What could cause the movement from point X to point Y?

- A a change in tastes
- B a fall in the price of chocolate
- C an increase in income
- D a successful advertising campaign for chocolate

16 The table shows the price of, demand for and supply of X per week.

price (\$)	demand (tonnes)	supply (tonnes)
20	16	10
30	12	12
40	10	14

What will be the effect if the government imposes a minimum price of \$40 per tonne?

- A a fall in the price of X
- B a shortage of X
- C a surplus of X
- D a waiting-list for X

17 In many countries, extra staff are employed by the postal service and additional collections of post are made to clear the large amount of mail before holiday periods.

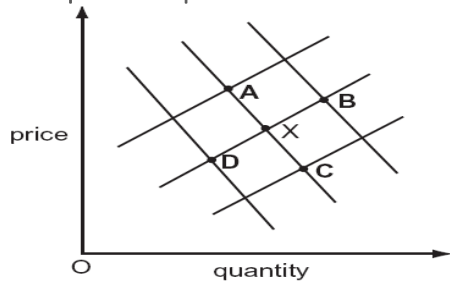
What happens to the demand and supply curves for postal services during these periods?

	demand curve	supply curve
A	moves to left	moves to left
B	moves to left	stays the same
C	moves to right	moves to right
D	stays the same	moves to right

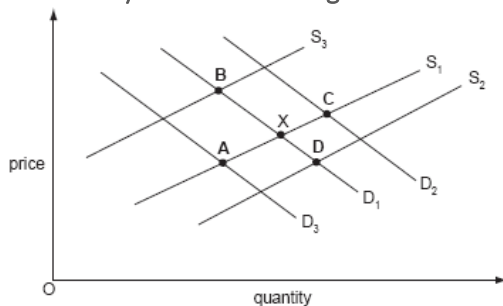


Secondary school

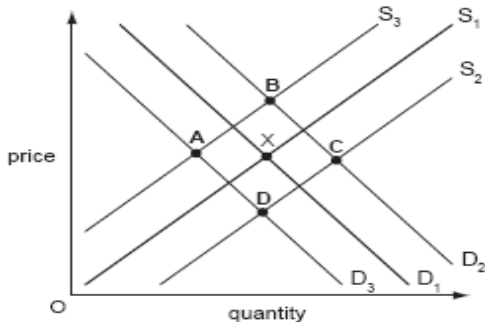
18 The graph shows the market for rice. It was in equilibrium at X. Later, there is a very good harvest of rice. What is the new equilibrium point?



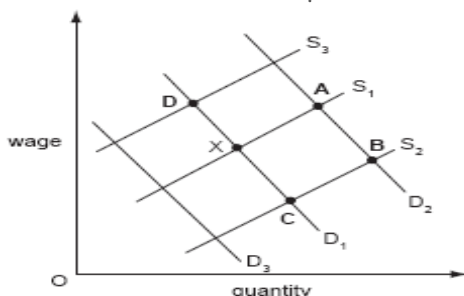
19 The diagram shows the demand for and supply of a product. The original equilibrium is at X. Which point indicates the new equilibrium position if there is an increase in the price of a close substitute for the commodity while other things remain the same?



20 The diagram shows the demand for and supply of a firm's product. The original equilibrium is at X. The firm pays for a successful advertising campaign. What is the new equilibrium?



21 The graph shows the market for unskilled workers in a city. The original equilibrium is at X. What would be the new equilibrium if there was a migration of workers to the city?





Secondary school

22 What would not cause a shift in the demand curve for a good?

- A a change in incomes
- B a change in the price of a substitute good
- C a change in the price of the good
- D a change in the tastes of consumers

23 Four changes affecting the supply of a good are listed below. What would cause the supply curve to shift to the right?

- A an improvement in technology
- B an increase in its market price
- C a reduction in labour productivity
- D the introduction of a sales tax

24 What is an example of complementary demand?

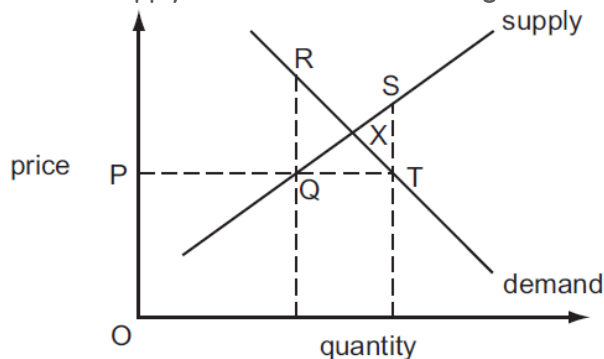
- A buses and bus fares
- B cotton and cotton seed
- C televisions and electricity
- D wood and sawdust

25 A good is successfully advertised.

What is the most likely impact on the demand and supply curves for the good?

	<u>demand curve</u>	<u>supply curve</u>
A	shift to left	shift to left
B	shift to left	shift to right
C	shift to right	shift to left
D	shift to right	shift to right

26 The diagram shows the supply and demand curves for a good. The market is in equilibrium at point X.



What is the excess demand at price P?

- A PT B QR C QT D ST

27 Tea and sugar are complementary goods. What will happen if the price of tea falls, other things being equal?

- A The demand curve for sugar will move to the right.
- B The demand curve for tea will move to the right.
- C The price of sugar will fall.
- D The supply curve of sugar will move to the left.

What will What



Secondary school

28 The price of a good is temporarily above the market equilibrium price. What must happen for the market to be brought back to equilibrium?

	quantity demanded	quantity supplied
A	rises	rises
B	rises	falls
C	falls	rises
D	falls	falls

29 The table shows the demand schedule for maize.

price per kilo (\$)	quantity demanded (kilos per day)
3	300
4	240
5	200
6	150
7	140
8	100

What will happen if price rises from \$5 to \$6 per kilo?

- A Total revenue will rise.
- B Demand will rise.
- C Total revenue will fall.
- D Total costs will rise.

30 A demand curve for a product shows the relationship between its price and

- A cost of production.
- B population changes.
- C the income of the consumer.
- D the quantity of the product consumed

31 The following was printed in a magazine. More soft drinks are being consumed than ever before by the 16 – 34 age group. Schweppes, the drink manufacturers, claim that over 45 per cent of their soft drinks are now being consumed without alcohol as people switch away from alcoholic spirits. How would this change be represented on a demand and supply diagram for soft drinks?

- A decrease in demand
- B decrease in supply
- C increase in demand
- D increase in supply



Secondary school

32 Australian mines are among the world's largest suppliers of uranium but the mines are contaminating Australia's natural environment. It is recommended that the mining companies install new equipment which causes less pollution. If this is done, how would it be represented on a demand and supply diagram for uranium?

	demand curve	supply curve
A	shift to left	no change
B	shift to right	shift to left
C	no change	shift to left
D	shift to left	shift to right

33 Does this factors determine demand or supply?

1. Costs of land
2. Income
3. Subsidies
4. Advertising
5. Changes in technology
6. A flood
7. Price of substitutes
8. Cost of workers
9. Fashion
10. Price of compliments

34 Changes in demand

1. Draw a demand curve (d)
2. Show an increase (d1) in demand
3. Show a decrease (d2) in demand
4. Show a contraction along the demand curve (p1 to p2)
5. Show an extension along the demand curve (p1 to p3)

35 Changes in supply

1. Draw a supply curve (s)
2. Show an increase (s1) in supply
3. Show a decrease (s2) in supply
4. Show a contraction along the supply curve (p1 to p2)
5. Show an extension along the supply curve (p1 to p3)

36 What will happen to demand? (shift left or right?)

1. Demand of iphone 5 if Samsung S4 price increases.
2. Demand for Ja and Tipp (own brand) if income increases.
3. Demand for leggings if celebrities start wearing them.
4. Demand for milk if cows are in newspapers for having diseases
5. Demand for tea if the price of milk decreases.



Secondary school

37 What will happen to supply?

1. Supply of cars if minimum wage increases.
2. Supply of strawberries if the weather has been great this summer.
3. Supply of leather shoes if cows have diseases.
4. Supply of tables if wood gets cheaper.
5. Supply of wheat if a subsidy is introduced.

38 Cut Out Matching Cards

Change in Demand due to

A shift in demand to the right (Increase in demand)	A shift in demand due to the left (Decrease in demand)
An increase in consumer income	A fall in consumer income
A rise in the price of substitutes	A fall in the price of substitutes
A fall in the price of complements	A rise in the price of complements
A positive change in tastes and fashion	A negative change in tastes and fashion

Change in supply due to

A shift in supply to the right (Increase in supply)	A shift in supply to the left (Decrease in supply)
A fall in raw material costs	An increase in the cost of raw materials
An improvement in labour efficiency	An increase in labour costs
A reduction in the rate of indirect taxation	An increase in the rate of indirect taxation
A positive technological advance	A failed technological advance

39 Which curve, which way?

The situations below relate to the market for private new houses for sale. Put a tick in the correct column identifying whether the situation will affect the demand or supply curve, causing a shift right or left.

	Which curve?		Shift	
	Demand	Supply	Right	Left
1. Construction workers wages increase				
2. Cost of renting increases				
3. Cost of bricks falls				
4. New Government legislation allows planning permission to be quicker				
5. Increase in the cost of solicitors fees when buying a house.				



Secondary school

40 Why is a knowledge of Price Elasticity of Demand useful?"

41 Calculation Practice

		Product A	Product B	Product C	Product D
Original Conditions	Quantity Demanded	100	20	80	200
	Price	\$20	\$50	\$30	\$45
	Total Revenue				
New Conditions	Quantity Demanded	120	10	88	180
	Price	\$19	\$55	\$25	\$60
	Total Revenue				
Calculations	Percentage Change in Quantity Demanded				
	Percentage Change in Price				
	Price Elasticity of Demand				
	Price Elastic or Price Inelastic?				
	Change in Revenue				

42 Fill in the blanks:

- If you have a product with Price Elastic Demand, you should _____ your price to maximise your Total Revenue.
- If you have a product with Price Inelastic Demand, you should _____ your price to maximise your Total Revenue.

43 Water can be used for a number of things such as car washing, schools, gardens, drinking, baths and toilets.

43.1 How does this comment above illustrate the basic economic problem?



Secondary school

43.2 Name one industry which might have benefited from the long hot summer and explain why:

43.3 Explain how a long hot summer such as in 1995 would affect:

a) Supply of water:

b) Demand for water:



Secondary school

44 Miss X made her fortune by operating a highly successful Scottish factory which produces tins of salmon. The business makes considerable use of specialist labour and machines. Explain the advantages and disadvantages of this type of specialisation for:

a) The firm:

b) The worker:

45 Think of an opportunity cost that you have experienced recently:

a) with money

b) with your time



Secondary school

46 Use demand and supply to explain the factors that have caused the increase in ownership of mobile phones. You can use diagrams if you wish.

47 CD's have become increasingly popular, despite being more expensive than cassette tapes. Give 2 economic reasons for this.

48 Why do you think that HMV wanted to reduce the price of some CD's?



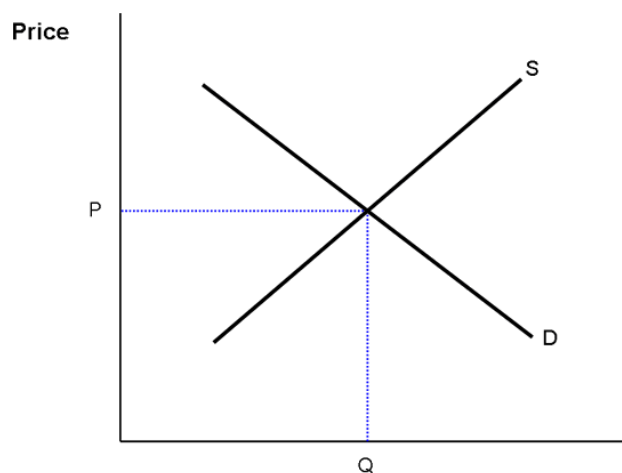
Secondary school

49. CD's sold over the internet are sometimes cheaper to buy than in high street shops. Suggest and explain the reasons why this is so.

50. McDonalds wants to open a chain of restaurants in China. Explain the factors that would influence the demand for its products in these new restaurants.

51. The government is considering imposing a tax on chocolate.

- 1) Show on the diagram below how the price and quantity of chocolate might change after the tax has been imposed:





Secondary school

2) Explain your diagram:

3) Why might the price of chocolate not rise by the full amount of the tax?

52 Describe how there is a division of labour in: (a) A school (b) McDonalds:

53 Why may a worker on a till in a supermarket suffer with boredom? What will then be the problems for the business?