

APT Initiatives Ltd

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Multiple Choice Questions

for

AQA A-level ECONOMICS

covering

Section 4.1: Individuals, Firms, Markets and Market Failure

Section 4.2: The National and International Economy

SAMPLE MATERIAL

Minimising Workloads, Maximising Performance

**Student Information Sheet on Tackling the Multiple Choice Questions
540 Multiple Choice Questions - 18 Tests of 30 Questions**

8 Sub-section tests on Section 4.1

6 Sub-section tests on Section 4.2

2 End of Section tests (1 for Section 4.1 and 1 for Section 4.2)

2 End of Specification tests

Answers to each test with supporting explanations

FOREWORD

This resource consists of **18 sets of 30 multiple choice questions** to test students' knowledge and understanding of the subject content required to be covered for **AQA A-level Economics** ie on **Individuals, Firms, Markets and Market Failure** and **The National and International Economy**. There is also an Interactive version available - for use on a computer for students to complete in their own time, or during class as a group exercise.

The resource contains **a set of 30 questions** on **each** of the **14 subject content areas** listed in the **AQA A-level Economics** specification, ie 30 multiple choice questions on each of the following numbered sections:

4.1 Individuals, firms, markets and market failure:

- 4.1.1 Economic methodology and the economic problem
- 4.1.2 Individual economic decision making
- 4.1.3 Price determination in a competitive market
- 4.1.4 Production, costs and revenue
- 4.1.5 **Perfect competition, imperfectly competitive markets and monopoly – SAMPLE from this section**
- 4.1.6 The labour market
- 4.1.7 The distribution of income and wealth: poverty and inequality
- 4.1.8 The market mechanism, market failure and government intervention in markets

4.2 The national and international economy:

- 4.2.1 The measurement of macroeconomic performance
- 4.2.2 How the macroeconomy works : the circular flow of income, AD/AS analysis, and related concepts
- 4.2.3 Economic performance
- 4.2.4 Financial markets and monetary policy
- 4.2.5 Fiscal policy and supply-side policies
- 4.2.6 The international economy

It also contains:

2 'end of section' tests, ie a set of 30 questions testing aspects relating to **Individuals, Firms, Markets and Market Failure** and a set of 30 questions testing aspects relating to **The National and International Economy**.

2 final tests of 30 questions on **any aspect of the AQA A-level Economics specification**. These could form part of a **mock examination for A-level Paper 3: Economic Principles and Issues**.

The **'final test'** papers reflect the sample assessment material produced by AQA for this paper, with the **majority** of the multiple choice questions assessing students' **knowledge and understanding**, but a significant proportion of questions also testing their ability to **apply** their knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.

The resource, therefore, enables students to be tested **at the end of each subject content area** covered in class, as well as **at the very end of their study** of AQA A-level Economics.

Supporting explanations are also provided for each question posed - further helping to consolidate students' knowledge and understanding.

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TACKLING THE MULTIPLE CHOICE QUESTIONS

A multiple choice paper provides you with a good opportunity to achieve a high mark, but only if you know the subject matter and think logically. In addition to **revising thoroughly to learn the subject matter**, the following points should be taken into account when tackling the multiple choice questions for AQA A-level Economics (in Paper 3).

1. **Pace yourself.** You are advised to spend approximately **30 minutes** on the 30 multiple choice questions. On some questions you should identify the correct response very quickly, others will take a little longer but you have **an average of one minute per question**. Don't rush your answer, but try to make sure that after 30 minutes you are in a position to move on to Section B of the examination.
2. **Read the question very carefully.** Work on the assumption that every word is of significance.
3. There is only one correct answer. **Do not 'hedge your bets' by suggesting two answers.** If you give two answers then you will not get a mark (even if one is correct).
4. You should (a) **identify the correct answer** and (b) **understand why the others are incorrect.** Sometimes you can identify the correct answer by eliminating the wrong ones. Ideally, you should approach questions from both angles.
5. **There are no half marks.** Even though one of the 3 distracters (incorrect answers) might be more valid than the other 2, you do not get half marks for spotting the 'half right answer'. The fact is that if it is 'only half right', then it is wrong.
6. It is very tempting to guess the answer when you are unsure. But, remember, there is only a one in four chance of guessing correctly and a three in four chance of guessing it wrong. Therefore, always try to work out the answer using your knowledge and logical thinking. **Only guess the answer if you genuinely have no idea of what the correct answer is.**
7. **Be extra careful when answering 'most' or 'least likely' questions,** eg '*Which one of the following is most / least likely to...*', and **especially when answering any negative questions** eg '*Which one of the following is not...*'.
8. **Use the question paper to do rough working.** This applies particularly to quantitative questions.
9. **Use the question paper to jot down or to manipulate a sketch graph.** This advice is especially relevant in questions which refer to demand or supply curves shifting to the left or to the right. It is easier to see a leftward / rightward shift on paper than trying to visualise it in your mind.
10. Graphs showing a shift in the supply or demand curve are labelled D_1 , D_2 , S_1 and S_2 etc with the curve labelled 1 as the original. To make it clearer to see this on the question paper, **draw an arrow to show the direction of the shift.**

4.1.5

Perfect Competition, Imperfectly Competitive Markets and Monopoly



4.1.5 Perfect Competition, Imperfectly Competitive Markets and Monopoly Performance

There are 30 questions. Only **one** answer per question is allowed.

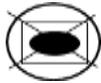
For each answer completely fill in the lozenge alongside the appropriate answer.

CORRECT METHOD 

WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



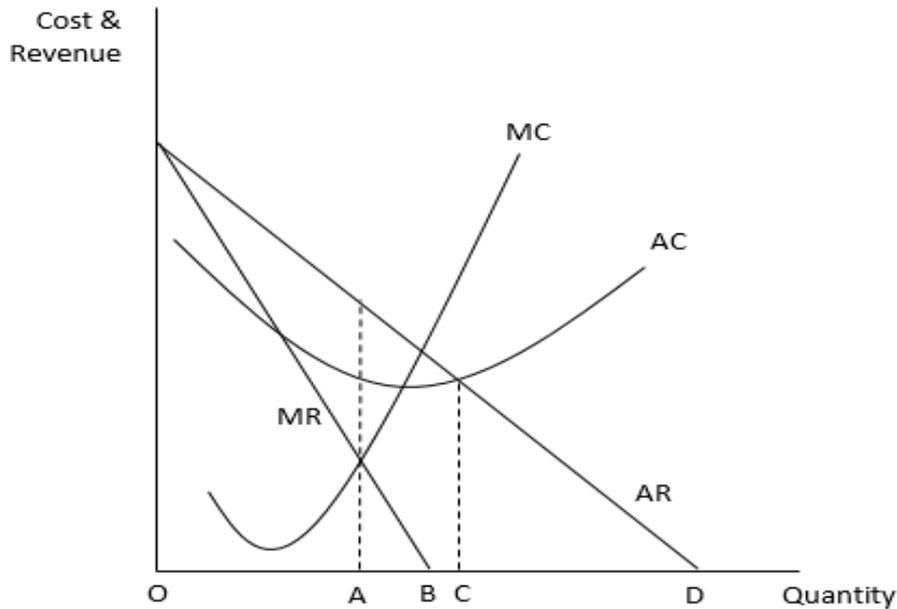
1. Which one of the following options shows the correct spectrum of market structures, with the most concentrated on the left and least concentrated on the right?

	More concentrated structure		Less concentrated structure		
A	Perfect competition	Monopolistic competition	Oligopoly	Pure monopoly	<input type="radio"/>
B	Pure monopoly	Oligopoly	Monopolistic competition	Perfect competition	<input type="radio"/>
C	Monopolistic competition	Pure monopoly	Oligopoly	Perfect competition	<input type="radio"/>
D	Oligopoly	Perfect competition	Monopolistic competition	Pure monopoly	<input type="radio"/>

2. Traditional models of the theory of the firm are based on the assumption that the firm has the objective of

- A profit satisficing.
- B sales revenue maximisation.
- C maximising the quality of the output.
- D profit maximisation.

3. The diagram below shows the marginal cost (MC), average cost (AC), marginal revenue (MR) and average revenue (AR) curves of a firm.



If the firm has the objective of profit maximisation, what will their level of output be?

- A OA
- B OB
- C OC
- D OD

4. Which one of the following summarises the 'principal agent' problem?

- A Owners of a firm acting in their own best interest rather than the best interest of society
- B Shareholders of a firm acting in their own best interest rather than the best interest of their customers
- C Managers of a firm acting in their own best interest rather than the best interest of the owners
- D Managers of a firm acting in their own best interest rather than the best interest of their suppliers

5. Which one of the following is a factor used to distinguish between different market structures?

A The degree of product differentiation

B The number of employees

C The degree of efficiency

D The sector of industry

4.1.5 Perfect Competition, Imperfectly Competitive Markets and Monopoly Performance - Answers

1. Which one of the following options shows the correct spectrum of market structures, with the most concentrated on the left and least concentrated on the right?

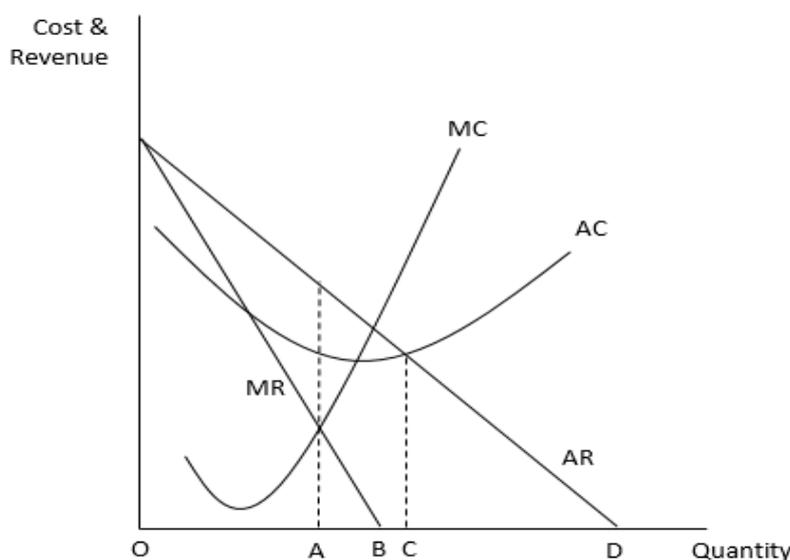
	More concentrated structure		Less concentrated structure	
A	Perfect competition	Monopolistic competition	Oligopoly	Pure monopoly
B	<u>Pure monopoly</u>	<u>Oligopoly</u>	<u>Monopolistic competition</u>	<u>Perfect competition</u>
C	Monopolistic competition	Pure monopoly	Oligopoly	Perfect competition
D	Oligopoly	Perfect competition	Monopolistic competition	Pure monopoly

Explanation: Market structures are classified in terms of the presence or absence of competition. When competition is absent, the market is said to be concentrated. There is a spectrum, from pure monopoly, (on the left) where the market is concentrated on one firm, to perfect competition, where the market concentration is very low (on the right).

2. Traditional models of the theory of the firm are based on the assumption that the firm has the objective of
- A profit satisficing.
 - B sales revenue maximisation.
 - C maximising the quality of the output.
 - D profit maximisation.**

Explanation: Whilst all of the options are potential objectives of a firm in the real world, neoclassical models of the theory of the firm are based on the assumption that the firm has the objective of profit maximisation.

3. The diagram below shows the marginal cost (MC), average cost (AC), marginal revenue (MR) and average revenue (AR) curves of a firm.



If the firm has the objective of profit maximisation, what will their level of output be?

- A **OA**
- B OB
- C OC
- D OD

Explanation: The firm will maximise profits at the level of output where $MC = MR$.

4. Which one of the following summarises the 'principal agent' problem?
- A Owners of a firm acting in their own best interest rather than the best interest of society
 - B Shareholders of a firm acting in their own best interest rather than the best interest of their customers
 - C **Managers of a firm acting in their own best interest rather than the best interest of the owners**
 - D Managers of a firm acting in their own best interest rather than the best interest of their suppliers

Explanation: The principal agent problem occurs when there is a divorce between the ownership and control of a firm. This means the managers, who control the day to day activity of the firm, may give greater priority to their own objectives rather than those of the owner.

5. Which one of the following is a factor used to distinguish between different market structures?
- A **The degree of product differentiation**
 - B The number of employees
 - C The degree of efficiency
 - D The sector of industry

Explanation: Product differentiation refers to a situation where there are generally similar products with minor variations that are used by consumers when making a choice. In the structure of perfect competition, for example, there is no product differentiation whereas under monopolistic competition a distinguishing feature is the high degree of product differentiation in the market.