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1st Set of 20 of 240 Multiple Choice Questions
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20 Multiple Choice Questions

for

AQA AS ECONOMICS

on

Section 1.1

Economic Methodology and the Economic Problem (Test 1)

General Advice on Tackling the Multiple Choice Questions
Multiple Choice Questions
Answers with Supporting Explanations

Minimising Workloads, Maximising Performance

FOREWORD

This resource is one of **12 sets of 20 multiple choice questions** to test students' knowledge and understanding of the subject content required to be covered for **Section 1** of the **AQA AS Economics** specification (published for teaching from September 2015) on **The Operation of Markets and Market Failure**. 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 full set of 240 questions can be purchased from APT's website: www.apt-initiatives.com. Individual sets of 20 can be purchased from the TES website: www.tes.com/teaching-resources.

The full set of 240 multiple choice questions contains **2 sets of 20 questions** on **each** of the **5 subject content areas** listed in **Section 1** of the **AQA AS Economics** specification, ie 2 sets of 20 multiple choice questions on each of the following numbered sections:

1. Economic methodology and the economic problem
2. Price determination in a competitive market
3. Production, costs and revenue
4. Competitive and concentrated markets
5. The market mechanism, market failure and government intervention in markets.

This particular set of questions is **the first of 2 sets** of 20 questions relating to **Section 1.1** on **Economic methodology and the economic problem.**

The full set of 240 questions also contains **2 'end of section' tests**, ie 2 sets of 20 questions testing **any aspect** of **The Operation of Markets and Market Failure.**

The full resource, therefore, enables students to be tested **at the end of each subject content area** covered in class, as well as **at the end of Section 1** of the AQA AS Economics specification.

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

Whilst every effort has been made to provide appropriate questions, as well as answers with explanations for the questions posed, these questions, answers and explanations are intended as **an aid to the teacher** who must retain full responsibility for checking specification requirements and the exam board assessment material, and the final delivery of subject matter to students. In this context, APT is always available to discuss any aspect of the questions, answers and explanations, should the teacher wish to discuss APT's interpretation.

Other resources for AQA AS and A-level Economics:

These Multiple Choice Questions for AQA AS Economics are one of several resources produced by **APT Initiatives Ltd** to support teachers and students taking AQA AS and A-level Economics examinations. Multiple Choice questions (interactive and printable tests) have also been produced for AS Section 2, as well as for the entire AQA A-level specification, and Practice (Mock) Exam Papers have been produced for A-level Paper 1 (on Section 4.1 of the A-level Specification), Paper 2 (on Section 4.2 of the A-level specification) and Paper 3 (on the entire specification). Further information on each of these resources, as well as other resources for Business and Economics qualifications, is available on APT's website: www.apt-initiatives.com.

APT Initiatives Ltd can be contacted directly with any orders, queries or feedback via the website: www.apt-initiatives.com, via email: support@apt-initiatives.com or by phone: 01952 540877.

STUDENT INFORMATION SHEET

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 AS Economics.

1. **Pace yourself.** You are advised to spend approximately **20 minutes** on the 20 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 20 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 the question 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 any negative questions** ie *"Which of the following is **not**...."*

8. **Use the question paper to do rough working.** This applies particularly to quantitative questions such as elasticity calculations.

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**.

1.1: Economic Methodology and the Economic Problem (Test 1)

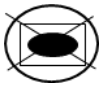
There are 20 questions. Only **one** answer per question is allowed.

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. Economics is considered as a science because

A it is concerned with the behaviour of people and organisations.

B its hypotheses can be tested in a laboratory.

C it makes use of mathematics.

D its hypotheses can be tested against observations from the real world.

2. The main methodological difference between Economics and the natural sciences is that economists

A cannot test hypotheses in laboratory conditions.

B cannot refute hypotheses.

C rely on observation to produce evidence.

D suffer the poverty of quantitative data.

3. A positive statement

A is one that is true. ⬭

B is one that can be tested. ⬭

C is one based on an opinion. ⬭

D cannot be refuted by looking at the evidence. ⬭

4. A normative statement is

A verifiable by facts. ⬭

B objective. ⬭

C based on an opinion. ⬭

D based on real world data. ⬭

5. Which one of the following is **not** a value judgement?

A The price of gas is excessive. ⬭

B Health care is too important to be left to the market. ⬭

C Climate change threatens the planet. ⬭

D Inequality of income is undesirable. ⬭

6. When making economic decisions, the government is least likely to take account of

A the wages in particular industries. ⬭

B how the defence budget is spent. ⬭

C possible changes in average incomes. ⬭

D the impact on exports. ⬭

7. The objective of economic activity is to

A achieve productive efficiency. ⬭

B minimise the use of factors of production. ⬭

C satisfy consumer wants. ⬭

D maximise output. ⬭

8. Which one of the following is **not** considered to be one of the three central questions in economics?

A What to produce? ⬭

B When to produce? ⬭

C How to produce? ⬭

D For whom to produce? ⬭

9. The factor of production, land, includes

A trawlers. ⬭

B dams. ⬭

C meadows. ⬭

D roads. ⬭

10. A tractor can be categorised as capital in the context of factors of production because

A it is a resource that has been manufactured. ⬭

B the buyer needs capital to buy it. ⬭

C it helps a farmer make a profit. ⬭

D it is an economic resource and therefore has an opportunity cost. ⬭

11. The reward for risk taking is known as

A wages. ⬭

B profit. ⬭

C interest. ⬭

D rent. ⬭

12. All economic decision-makers are forced to choose because

A resources are infinite. ⬭

B every choice has an opportunity cost. ⬭

C wants are finite. ⬭

D resources are finite. ⬭

13. Economics is the study of

A how to increase economic growth. ⬭

B how society allocates scarce resources in order to maximise welfare. ⬭

C how to ensure that resources are shared equally. ⬭

D how resources should be allocated. ⬭

14. An economic good is

A one which has an opportunity cost. ⬭

B also defined as a factor of production. ⬭

C one which increases economic efficiency. ⬭

D the opposite of a public good. ⬭

15. The production possibility curve can be used to illustrate each of the following with the exception of

A consumer demand. ⬭

B economic growth. ⬭

C opportunity cost. ⬭

D unemployment. ⬭

16. A production possibility curve, illustrating the output options for capital and consumer goods, shifts to the right because there is

A an increase in inflation. ⬭

B reduced unemployment. ⬭

C an improvement in technology. ⬭

D an increase in exports. ⬭

17. A point on a production possibility curve indicates

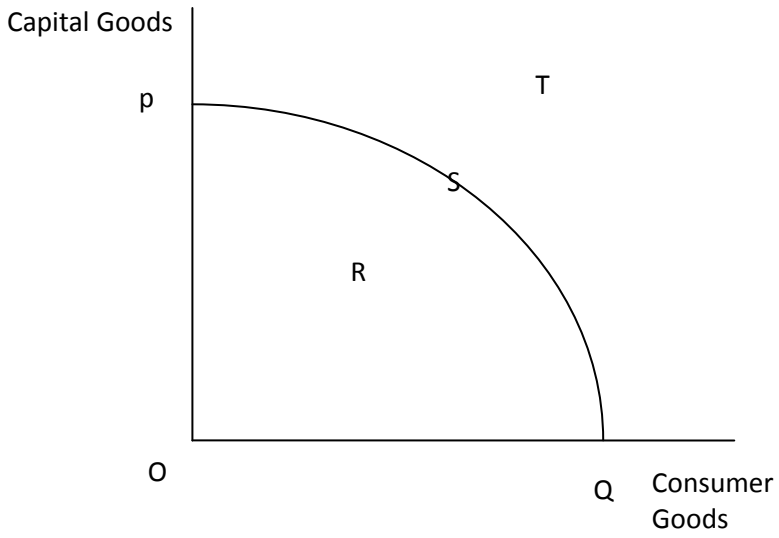
A the latest technology has not been employed. ⬭

B an output choice which uses available resources most efficiently. ⬭

C an output combination of two products which cannot be achieved. ⬭

D indicates that there is an opportunity cost. ⬭

18. The production possibility diagram below shows various output choices P, Q, R, S and T.



Which combination of capital and consumer goods could this country choose to produce?

A points TSR

B points PSQ

C points TSQ

D points SQPR

19. Productive efficiency means

A maximising profits.

B minimising the use of labour.

C maximising the use of land.

D maximising output from the resources used.

20. All points on the production possibility curve show productive efficiency because

A output is distributed equitably. ⬭

B the economy is producing the combination of output that consumers demand. ⬭

C the economy has reached its full long term potential. ⬭

D the economy is producing at full current capacity. ⬭

1.1: Economic Methodology and the Economic Problem (Test 1) - Answers

1. Economics is considered as a science because
A it is concerned with the behaviour of people and organisations.
B its hypotheses can be tested in a laboratory.
C it makes use of mathematics.
D its hypotheses can be tested against observations from the real world.

Explanation: Economics is concerned with human and organisational behaviour but this in itself does not make it a science. It also makes use of mathematics but, again, this does not make it a science. What makes it a science is its employment of scientific method and, in particular, the testing of hypotheses against observations from the real world, in order to develop theories.

2. The main methodological difference between Economics and the natural sciences is that economists
A cannot test hypotheses in laboratory conditions.
B cannot refute hypotheses.
C rely on observation to produce evidence.
D suffer the poverty of quantitative data.

Explanation: Economists apply the same scientific method as used in the natural sciences but, unlike natural scientists, it is not possible to conduct and to repeat experiments in a laboratory-controlled environment.

3. A positive statement
A is one that is true.
B is one that can be tested.
C is one based on an opinion.
D cannot be refuted by looking at the evidence.

Explanation: A positive statement can be confirmed or disproved by testing it against evidence. A positive statement, is therefore, not a statement of opinion.

4. A normative statement is
A verifiable by facts.
B objective.
C based on an opinion.
D based on real world data.

Explanation: A normative statement typically includes words such as 'ought to' or 'should' and is an expression of an opinion.

5. Which one of the following is **not** a value judgement?
A The price of gas is excessive.
B Health care is too important to be left to the market.
C Climate change threatens the planet.
D Inequality of income is undesirable.

Explanation: A, B and D are statements of opinion which cannot be tested. The statement about climate change might be controversial with a minority of people, but it can be tested and shown to be true or false. Consequently, it is a statement of fact and not merely an opinion.

6. When making economic decisions the government is least likely to take account of
A **the wages in particular industries.**
B how the defence budget is spent.
C possible changes in average incomes.
D the impact on exports.

Explanation: Governments will consider the impact of decisions on the economy in general, but are very unlikely to consider the impact on a particular group of workers.

7. The objective of economic activity is to
A achieve productive efficiency.
B minimise the use of factors of production.
C **satisfy consumer wants.**
D maximise output.

Explanation: The central purpose of economic activity is the production of goods and services in order to satisfy needs and wants. Production occurs not for its own sake, but in order to satisfy needs and wants.

8. Which one of the following is **not** considered to be one of the three central questions in economics?
A What to produce?
B **When to produce?**
C How to produce?
D For whom to produce?

Explanation: As a result of scarcity and choice, an economic system has to answer the 'what', 'how' and 'for whom' questions. The subsidiary question 'when' is not one of the central or basic economic questions facing an economy.

9. The factor of production, land, includes
A trawlers.
B dams.
C **meadows.**
D roads.

Explanation: The other three refer to capital (goods that are man-made and are used in production). A meadow is natural and is not man-made and, therefore, is regarded as land.

10. A tractor can be categorised as capital in the context of factors of production because
A **it is a resource that has been manufactured.**
B the buyer needs capital to buy it.
C it helps a farmer make a profit.
D it is an economic resource and therefore has an opportunity cost.

Explanation: Each of the statements by themselves are accurate but only response A correctly follows on from the stem. Capital refers to man-made resources used in production. It should be remembered that whilst in everyday language we use the word 'capital' to mean money to set up a business, in Economics we reserve the word 'capital' to mean real resources.

11. The reward for risk taking is known as
A wages.
B <u>profit.</u>
C interest.
D rent.

Explanation: Entrepreneurs are risk takers. The incentive for them to take risk is the profit they expect to enjoy from their enterprise.

12. All economic decision-makers are forced to choose because
A resources are infinite.
B every choice has an opportunity cost.
C wants are finite.
D <u>resources are finite.</u>

Explanation: It is true that every choice does have an opportunity cost but this is because resources are finite.

13. Economics is the study of
A how to increase economic growth.
B <u>how society allocates scarce resources in order to maximise welfare.</u>
C how to ensure that resources are shared equally.
D how resources should be allocated.

Explanation: The central issue in Economics is the allocation of scarce resources. The other responses might refer to one aspect of Economics but not to the central issue that is at the heart of Economics.

14. An economic good is
A <u>one which has an opportunity cost.</u>
B also defined as a factor of production.
C one which increases economic efficiency.
D the opposite of a public good.

Explanation: An economic good uses scarce resources and, therefore, involves an opportunity cost. The opposite of an economic good is a 'free good' which can be seen as a free gift of nature and does not involve the use of scarce resources.

15. The production possibility curve can be used to illustrate each of the following with the exception of
A <u>consumer demand.</u>
B economic growth.
C opportunity cost.
D unemployment.

Explanation: The production possibility curve illustrates productive potential. At any point inside the curve there is unemployment of resources. An outward shift of the curve illustrates growth in productive potential. A movement along the curve reminds us that we can sacrifice some units of one product to acquire more of another (ie opportunity costs). However, the PPC tells us nothing about demand for goods or services.

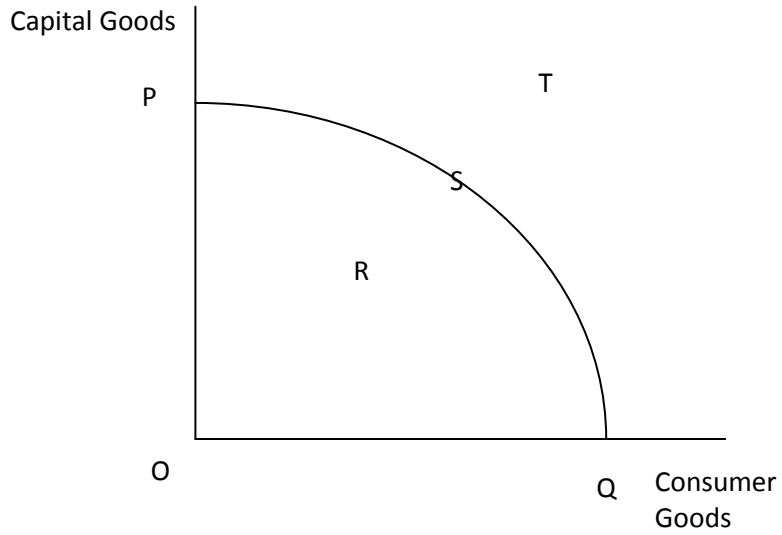
16. A production possibility curve, illustrating the output options for capital and consumer goods, shifts to the right because there is
A an increase in inflation.
B reduced unemployment.
C <u>an improvement in technology.</u>
D an increase in exports.

Explanation: An improvement in technology increases the productive potential of the economy and causes the PPC to shift outwards. Reduced unemployment simply moves the economy to a point inside the PPC towards the PPC itself. Thus, it increases production, but not productive possibility.

17. A point on a production possibility curve indicates
A the latest technology has not been employed.
B <u>an output choice which uses available resources most efficiently.</u>
C an output combination of two products which cannot be achieved.
D indicates that there is an opportunity cost.

Explanation: Any point on the production possibility curve illustrates the productive potential of the economy when all resources are most efficiently employed.

18. The production possibility diagram below shows various output choices P, Q, R, S and T.



Which combination of capital and consumer goods could this country choose to produce?
A points TSR
B points PSQ
C points TSQ
D <u>points SQPR</u>

Explanation: P, S and Q are all on the production possibility curve and are possible combinations of goods and services that can be produced. R is also possible because it is inside the curve. T, on the other hand, is outside the productive potential of the economy, given existing resources and technology.

19. Productive efficiency means
A maximising profits.
B minimising the use of labour.
C maximising the use of land.
D <u>maximising output from the resources used.</u>

Explanation: Productive efficiency for the economy as a whole, means obtaining the greatest level of output using existing resources and technology.

20. All points on the production possibility curve show productive efficiency because
A output is distributed equitably.
B the economy is producing the combination of output that consumers demand.
C the economy has reached its full long term potential.
D <u>the economy is producing at full current capacity.</u>

Explanation: The PPC tells us nothing about the distribution of output. Response B concerns allocative efficiency. This leaves the final responses which might be regarded as similar. The reason why D is the correct answer is that the PPC is drawn on the assumption of a fixed quantity of resources and no change in technology. This does not rule out an increase in capacity (ie productive potential) in the future.