Question 1:

[Maximum mark: 1]

Economics is best defined as the study of:

a) How to make the most profit
b) How businesses advertise products
c) How governments collect taxes
d) How societies use limited resources to satisfy unlimited wants

Question 2:

[Maximum mark: 1]

The next best alternative that is given up when making a choice is called:

a) Opportunity cost
b) Inflation
c) Equilibrium
d) Productivity

Question 3:

[Maximum mark: 1]

Which of the following is a factor of production?

a) Money
b) Capital
c) Price
d) Demand

Question 4:

[Maximum mark: 1]

Which of the following would most likely increase the demand for ice cream?

a) A fall in consumer income for a normal good
b) Hot summer weather
c) A decrease in population
d) An increase in the price of ice cream

Question 5:

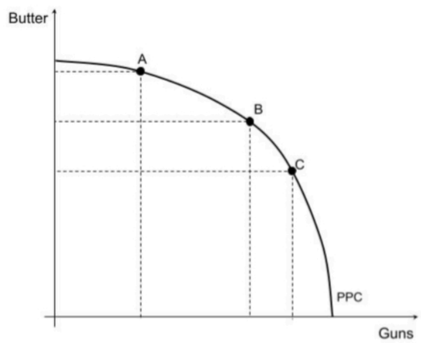
[Maximum mark: 1]

If the price of a product increases, producers are generally willing to:

a) Supply less
b) Supply more
c) Stop production completely
d) Reduce quality only

Question 6:

[Maximum mark: 5]



a. Describe the opportunity costs faced by the economy shown in Figure 1.

b. Using Figure 1, describe how a production possibilities curve illustrates the concepts of scarcity and opportunity cost.

Question 7:

[Maximum mark: 5]

a. State the purpose of using the **ceteris paribus** assumption in economics.

b. Explain how **Keynesian economics** changed the role of government in managing the economy.

Question 8:

[Maximum mark: 6]

The table below shows the demand and supply for **water bottles**.

Price ($)	Quantity Demanded	Quantity Supplied
1	120	40
2	100	60

3	80	80
4	60	100
5	40	120

a. Define **market equilibrium**.

b. Using the table, identify the **equilibrium price** and **equilibrium quantity**.

c. Explain what would happen if the market price were **$4**.

Question 9:

[Maximum mark: 6]

The demand for electric bicycles has increased in a city.

a. State two factors, other than price, that can increase demand for a product.

b. Explain how each factor could increase demand for electric bicycles.

Question 10:

[Maximum mark: 6]

Country X reports that its GDP has increased by **5%** over the past year.

a. Define **Gross Domestic Product** (GDP).

b. Explain why an increase in GDP does not always mean people's living standards have improved.

c. State one other indicator that could be used to measure economic well-being.