**Student Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

ECONOMICS AND BUSINESS

Topic Test 1

2020

THE ECONOMIC PROBLEM

## General instructions

* Working time – 1 Lesson
* Write using blue or black ink or pencil
* Answer all questions
* Write your name at the top

**A few tips**

* Remember to use economic terminology where you can

**/25**

**Q.1 All economic problems come about because…**

J. there are limited resources but unlimited wants.

K. the rich do not pay enough tax.

L. different countries have different quantities (and quality) of resources.

M. governments, when designing a race horse, would end up producing a camel.

**Q.2 if you were producing on the curve of the PPF you would be:**

J. producing the most you could if you used all your resources

K. producing the most you could if you used all your resources efficiently

L. making sure you produced things people wanted

1. making sure businesses were kept operating

**Q.3 Economics is the study of scarcity. Scarcity means:**

J. Not having enough money to buy goods and services

K. Not having enough food to keep the population healthy

L. Not having enough resources to satisfy all wants

M. Not having enough capital resources

**Q.4 The diagram below shows the PPF for an economy producing at point A. The opportunity cost of them moving to produce at point B is:**

**The most likely reason for a move from A to B would be:**

50

40 A

Sheep

25 B

70 90 100 Fighter Jets

J. The opportunity cost of 40 sheep goods is 70 Fighter Jets

K. A movement from A to B would be the result of an improvement in the technology required for Fighter Jets

L. If 70 Fighter Jets were being produced, the opportunity cost of an extra 20 Fighter Jets would be 15 Sheep

M. The production possibility frontier (PPF) would move out to the right if the population decided it needed more Fighter Jets and Sheep

**Q.5 The following diagram represents a production possibility curve for an economy that produces only Pottery and Scissors. What might cause a shift from point A to point B?**

Pottery

B

A

Scissors

J. An increase in demand for both pottery and scissors

K. The development of improved technology in the production of both pottery and scissors

L. The discovery of more resources

M. More efficient methods of production for scissors

**PART B**

1. **What is meant by "the economic problem"? (2 marks)**

The economic problem is about unlimited wants and limited resources. This results in scarcity

1. **Explain what is meant by ‘opportunity cost’ (3 marks)**

Opportunity cost is the alternatives you have missed out on producing in order to produce

Something else. We can see it demonstrated on the PPF. For example….

1. **Explain why wants can never be satisfied (3 marks)**

Wants are unlimited, meaning that we will always want more. Wants will vary from person to

Person, over time, can be recurring and also complimentary, meaning there are many of them.

1. **why might what people want (or demand), not affect the position of the curve on a PPF? (3 marks)**

The PPF curve shows the total number of things an economy produce if all resources are used

Efficiently. This can not be affected by demand because that is just what people want, not about

Our use of resources

1. **Define what is meant by Capital Resources (2 marks)**

Capital resources are man made things to help people produce other things e.g. pens, pencils,

computers and machines

1. **Explain why some wants will vary from person to person (2 marks)**

People have different wants, depending on their interests. E.g. Heidi likes pink cats and Azalea likes

blue liquorice jelly babies

1. **On the PPF below, show what the impact will be on the curve if there is an increase in technology for telephones (2 marks)**

Telephones

Chickens

1. **Analyse the following verse from Haggai 1. Which elements of the economic problem can you see in this verse? (3 marks)**

*“You have sown much, but harvested little*

*You eat, but never have enough*

*You drink, but you never have your fill*

*You clothe yourselves, but no one is warm*

*And he who earns wages does so to put them in a bag with holes” (Hag 1:6)*

*The economic problem is Unlimited wants vs limited resources, resulting in scarcity. This is*

*partially found in this verse. Unlimited wants is found in never having enough to eat or never*

*being full. Inefficient use of resources is found in sowing much but harvesting little and not*

*using your resources efficiently to produce clothing.*