S1 Economics Practice Paper: The Basic Economic Problem, Opportunity Cost and Choice, Factors of Production and Division of Labour, Demand, Supply and Price, Money and Banking, Consumers and Public Finance

S1 | Economics | Time: 60 minutes | Total: 100 marks | 24 questions

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Part A - The Basic Economic Problem (16 marks)

Show working in question 2; answer the other questions in full sentences.

1. State the three basic economic questions and explain why scarcity of resources raises them. [4]

2. A village can produce at most 100 garments or 500 kg of rice in one hour. If the villagers choose to produce 20 more garments, how much rice must they give up, and what is the opportunity cost of one garment? [5]

3. What is the difference between a free good and an economic good? Give one example of each. [4]

4. Why do unlimited wants and limited resources force every society to make choices? [3]

Part B - Opportunity Cost and Choice (17 marks)

Show your working in questions 1 and 2; answer questions 3 and 4 in words.

5. Ming has 3 free hours and may either work ($60 per hour) or study. He chooses to study. Find the opportunity cost of studying and explain why it is not zero. [5]

6. May can watch a film (she values it at $250), go shopping ($200), revise at home ($120) or sleep ($80). She chooses the film. Find the opportunity cost of her choice. [4]

7. Does opportunity cost include money already paid that cannot be recovered (a sunk cost)? Explain with an example. [4]

8. What is diminishing marginal benefit? Explain it with an all-you-can-eat buffet example. [4]

Part C - Factors of Production and Division of Labour (17 marks)

Answer questions 1 and 2 in words; calculate or compare in questions 3 and 4.

9. Name the four factors of production and give one factory example of each. [4]

10. What are the benefits of division of labour and specialisation? State two benefits and one limitation. [4]

11. Worker A can make 2 chairs or 4 tables in one hour; worker B can make 1 chair or 3 tables. Find each worker's opportunity cost of one chair and say who should specialise in chairs. [5]

12. A toy factory has 5 workers producing 200 toys a day. Find the average output per worker; if a sixth worker raises output only to 220 toys, how does the average change? [4]

Part D - Demand, Supply and Price (17 marks)

Show working in questions 2 and 3; answer questions 1 and 4 in words.

13. State the law of demand and give one exception. [4]

14. The price of a drink rises from $20 to $25 and the quantity demanded falls from 300 to 250 units. Find the price elasticity of demand (absolute value) and say whether demand is elastic or inelastic. [5]

15. A market has an equilibrium price of $30 and quantity of 400. The government sets a price ceiling of $20, at which supply is 200 units and demand is 400 units. Find the shortage and explain the effect of the ceiling. [5]

16. What is the main difference between a perfectly competitive market and a monopoly in how price is set? [3]

Part E - Money and Banking (17 marks)

Show working in questions 2 and 3; answer questions 1 and 4 in words.

17. State three functions of money and give one example of each. [4]

18. Wah deposits $5000 at 2% simple interest a year. Find the interest after one year and the total interest after two years. [5]

19. The consumer price index rises from 100 to 108 while wages rise 5%. Find the inflation rate and say what happens to real purchasing power. [5]

20. What role do banks play in an economy? State two main functions. [3]

Part F - Consumers and Public Finance (16 marks)

Show working in questions 2 and 4; answer questions 1 and 3 in words.

21. State two consumer rights or points to check when shopping, with reasons. [4]

22. Ling gets $400 pocket money a month, saves 25% of it and spends the rest. Find her monthly saving and spending, and the months needed to save $1,200. [4]

23. What are the main sources of government revenue? State two with an example of each. [4]

24. A government has revenue of $12000 and spending of $14000 in a year. Find the surplus or deficit and state one way to deal with it. [4]