

Foundations of Economics

Economics · Answer Key · 18 Questions

1. What term describes the basic economic problem where wants are unlimited but resources are limited?

- A) Scarcity**
- B) Inflation
- C) Supply
- D) Profit

2. Which of the following is considered a 'natural resource' in economics?

- A) Factory machinery
- B) Skilled labour
- C) Timber**
- D) Computer software

3. What do we call the value of the next best alternative that is given up when a choice is made?

- A) Fixed cost
- B) Opportunity cost**
- C) Interest rate
- D) Revenue

4. Which sector of the economy involves the extraction of raw materials like farming and mining?

- A) Tertiary sector
- B) Secondary sector
- C) Primary sector**
- D) Quaternary sector

5. What is the term for the total amount of a specific good or service that is available to consumers?

- A) Demand
- B) Supply**
- C) Consumption
- D) Investment

6. What is the primary medium of exchange used to purchase goods and services in modern economies?

- A) Barter
- B) Credit
- C) Money**
- D) Bonds

7. Which of the following is a 'service' rather than a 'good'?

- A) A loaf of bread
- B) A haircut**
- C) A mobile phone
- D) A pair of shoes

8. What is the term for a person who buys goods and services for personal use?

- A) Producer
- B) Manufacturer
- C) Consumer**
- D) Supplier

9. What do we call a person who creates or provides goods and services?

- A) Consumer
- B) Producer**
- C) Investor
- D) Borrower

10. In a simple economic system, what is the exchange of goods and services for other goods and services without money called?

- A) Bartering**
- B) Inflation
- C) Importing
- D) Exporting

11. Which of these is an example of 'human capital'?

- A) A tractor
- B) A factory building
- C) The skills and education of a worker**
- D) Raw iron ore

12. What is the primary goal of a for-profit business?

- A) To minimize production
- B) To maximize profit**
- C) To eliminate competition
- D) To increase taxes

13. What do we call the goods that are brought into a country from another country?

- A) Exports
- B) Imports**
- C) Tariffs
- D) Subsidies

14. What do we call the goods that are sent out of a country to be sold in another country?

- A) Imports
- B) Exports**
- C) Dividends
- D) Assets

15. Which of the following is a 'capital good' used in production?

- A) A hammer**
- B) A sandwich
- C) A movie ticket
- D) A gallon of gasoline

16. What is the term for the increase in the general price level of goods and services over time?

- A) Deflation
- B) Recession
- C) Inflation**
- D) Depression

17. Which factor of production refers to the physical and mental effort used to produce goods and services?

- A) Land
- B) Capital
- C) Labour**
- D) Technology

18. What is the name for a tax placed on imported goods?

- A) Quota
- B) Tariff**
- C) Dividend
- D) Interest