Fundamentals of Economics

Economics · Answer Key · 12 Questions

1. Which term describes the economic problem where there are limited resources to satisfy unlimited human wants?

A) Scarcity
B) Abundance
C) Surplus
D) Inflation

2. What is the primary function of a commercial bank in an economy?

A) To produce raw materials
B) To regulate weather patterns
C) To accept deposits and provide loans
D) To manufacture consumer goods

3. Which Australian government agency is responsible for collecting taxes and administering the tax system?

A) Reserve Bank of Australia
B) Australian Taxation Office
C) Australian Bureau of Statistics
D) Fair Work Commission

4. What is the term for a person who creates or provides a good or service?

A) Consumer
B) Producer
C) Investor
D) Regulator

5. In economics, what is the 'opportunity cost' of making a choice?

A) The total price of the item
B) The most valuable alternative that you give up
C) The profit made from the sale
D) The tax paid on the transaction

6. Which of the following is considered a 'natural resource' used in production?

A) A computer
B) A delivery truck
C) Timber from a forest
D) A software program

7. What does the 'Law of Demand' generally state about the relationship between price and quantity demanded?

- **A) As price rises, demand usually falls**
- B) As price rises, demand usually rises
- C) Price has no effect on demand
- D) Demand is unrelated to supply

8. What is a 'capital good' in the context of production?

- A) Money kept in a savings account
- B) Human skills and knowledge
- **C) Buildings, machinery, and tools used to produce other goods**
- D) Raw materials like coal and iron ore

9. Which document represents part-ownership in a public corporation?

- A) A bond
- **B) A share**
- C) A promissory note
- D) A government grant

10. What is the primary role of the Reserve Bank of Australia regarding the national currency?

- A) To print coins
- **B) To set the interest rates and manage the Australian dollar**
- C) To collect income tax from citizens
- D) To provide loans to private businesses

11. What is the term for the total value of all goods and services produced within a country in a specific time period?

- A) Consumer Price Index
- **B) Gross Domestic Product**
- C) Net Worth
- D) Balance of Trade

12. If a business has more money coming in from sales than it spends on costs, what is it achieving?

- A) A deficit
- B) A debt
- **C) A profit**
- D) A bankruptcy