

Economics for Young Minds

Economics · Practice Test · 8 Questions

1. What is the term for a situation where the demand for a resource is greater than the supply available?

- A) Surplus
- B) Scarcity
- C) Inflation
- D) Deflation

2. In the history of money, what was the primary purpose of using 'commodity money' like salt or shells?

- A) To act as a store of value and medium of exchange
- B) To prevent government taxes
- C) To increase the weight of currency
- D) To stop trade between nations

3. What is the main function of a central bank, such as the Reserve Bank of Australia?

- A) To sell private company stocks
- B) To manage a nation's currency and interest rates
- C) To directly employ all citizens
- D) To set prices for every product in grocery stores

4. Which economic concept explains why the cost of producing an item decreases as the scale of production increases?

- A) Opportunity cost
- B) Law of demand
- C) Economies of scale
- D) Diminishing returns

5. What does the Gross Domestic Product (GDP) measure for a country?

- A) The total value of all goods and services produced in a specific period
- B) The number of people living in poverty
- C) The total amount of gold held by individuals
- D) The speed at which new businesses are opened

6. If a country exports more goods than it imports, what is this economic balance called?

- A) Trade deficit
- B) Balanced budget
- C) Trade surplus
- D) Market equilibrium

7. Which term describes the rise in the general level of prices for goods and services over time, reducing the purchasing power of money?

- A) Deflation
- B) Recession
- C) Stagnation
- D) Inflation

8. What is the 'opportunity cost' of choosing to spend money on a new bicycle instead of putting it into a savings account?

- A) The interest you would have earned on the saved money
- B) The price of the bicycle
- C) The cost of a helmet
- D) The tax on the bicycle