Basic Economics Fundamentals

Economics · Answer Key · 18 Questions

1. What is the fundamental economic problem that describes the limited nature of society's resources?

A) Inflation
B) Scarcity
C) Efficiency
D) Barter

2. Which term refers to the natural resources used in the production process, such as land and minerals?

A) Capital
B) Labour
C) Land
D) Entrepreneurship

3. What is the term for the human effort, both physical and mental, used to produce goods and services?

A) Labour
B) Management
C) Technology
D) Investment

4. Which factor of production includes the tools, machinery, and buildings used to create other goods?

A) Raw materials
B) Capital
C) Consumer goods
D) Infrastructure

5. In a market economy, who primarily decides what goods and services are produced?

A) The government
B) The military
C) Consumers and businesses
D) International trade unions

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6. What is the term for the cost of the next best alternative that is given up when a choice is made?

A) Fixed cost
B) Opportunity cost
C) Variable cost
D) Total cost

7. Which economic system is characterised by government ownership of major industries and central planning?

A) Command economy
B) Market economy
C) Mixed economy
D) Traditional economy

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

A) Gold bars
B) Barter goods
C) Money
D) Promissory notes

9. What do we call a person who risks their own resources to start a new business venture?

A) Employee
B) Entrepreneur
C) Shareholder
D) Regulator

10. Which type of good is intended for final use by an individual rather than for further production?

A) Capital good
B) Intermediate good
C) Consumer good
D) Raw material

11. What is the term for the total quantity of a good or service that producers are willing to provide at a specific price?

A) Demand
B) Supply
C) Market equilibrium
D) Shortage

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12. What is the term for the quantity of a good or service that consumers are willing and able to purchase?

A) Consumption
B) Supply
C) Demand
D) Distribution

13. Which economic system combines elements of both market-based decision-making and government intervention?

A) Command economy
B) Traditional economy
C) Mixed economy
D) Pure capitalism

14. What is the process of converting raw materials into finished goods called?

A) Consumption
B) Production
C) Distribution
D) Exchange

15. What are the goods and services that a country sells to other nations?

A) Imports
B) Exports
C) Tariffs
D) Quotas

16. What are the goods and services that a country buys from other nations?

A) Exports
B) Imports
C) Subsidies
D) Investments

17. What is the basic economic activity that involves the use of goods and services to satisfy human wants?

A) Production
B) Consumption
C) Distribution
D) Exchange

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18. Which term describes a system where goods are traded directly for other goods without the use of money?

A) Market trade

B) Barter

C) Retail

D) Exporting

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