



## **Formation 1 / Certificate in Business and Accounting.**

### **Economics and Business Planning: MCQ Self - Assessment Questions 2**

1. In a Command economy, consumption and investment decisions:
  - a) Are controlled largely by the government
  - b) Shape the future course of the national economy
  - c) Are necessarily controlled by big businesses
  - d) Are agreed with the World Bank and International Monetary Fund.
2. The three categories of economic resources are:
  - a) Land, labour, and money
  - b) Land, labour and capital
  - c) Land, capital and money
  - d) Labour, money and capital.
3. Along a society's production possibilities frontier:
  - a) The level of technology is changing
  - b) More of one good can be produced without giving up some of the other good
  - c) Resources are not being fully utilized
  - d) Available resources are being used efficiently.
4. Which of the following types of economy describes the economy of Ireland?
  - a) A command economy
  - b) A market economy
  - c) A mixed economy
  - d) A planned economy.
5. Microeconomics deals with which of the following?
  - a) The total output of an economy
  - b) The measurement of a nation's inflation rate
  - c) How producers and consumers interact in individual markets
  - d) How tax policies influence economic growth.
6. The opportunity cost of a particular activity:
  - a) Is the same for everyone pursuing this activity
  - b) May include both monetary costs and forgone income
  - c) Always decreases as more of that activity is pursued
  - d) Measures the direct benefits of that activity.

7. Carl is considering attending a concert with a ticket price of €35. He estimates that the cost of driving to the concert and parking there will total an additional €20. In order to attend the concert, Carl will have to take time off from his part-time job. He estimates that he will lose 5 hours at work, at a wage of €6 per hour. Carl's opportunity cost of attending the concert equals:
  - a) €35
  - b) €55
  - c) €30
  - d) €85.
8. The curve that shows the relationship between the price of a good and the quantity that consumers are willing to purchase at each price is the:
  - a) Supply curve
  - b) Demand curve
  - c) Production possibilities curve
  - d) Consumption curve.
9. Suppose there is an excess supply in a market and the price decreases. Which of the following combinations of events will occur:
  - a) There will be a fall in quantity supplied and a rise in quantity demanded
  - b) There will be a fall in quantity supplied and a rise in demand
  - c) There will be a fall in supply and a rise in quantity demanded
  - d) There will be a fall in supply and a rise in demand.
10. In which of the following cases will total revenue fall?
  - a) Price rises and demand is inelastic
  - b) Price rises and demand is elastic
  - c) Price falls and demand is elastic
  - d) Price rises and supply is elastic.
11. If you increase the price of Good A and the Quantity demanded of Good B rises. Goods A and B are:
  - a) Luxury Goods
  - b) Necessity Goods
  - c) Substitute Goods
  - d) Giffen Goods.
12. Which of the following is the correct definition for the law of diminishing returns:
  - a) If extra units of one variable are added to a fixed amount of all other inputs, then sooner or later the marginal returns will get smaller
  - b) If extra units of one variable are added to a fixed amount of all other inputs, the marginal returns will always get smaller
  - c) If extra units of one variable are added to a fixed amount of all other fixed inputs, the marginal returns will always get smaller
  - d) If extra units of one variable are added to a fixed amount of all other fixed inputs, then sooner or later the marginal returns will get smaller.
13. Economies of scale can be as a result of:
  - a) Managerial economies, financial economies, specialisation, marketing economies
  - b) Financial economies, specialisation, poor morale, communications problems
  - c) Poor Morale, communications problems, managerial economies, financial economies
  - d) Financial economies, specialisation, marketing economies, communications problems.

14. Competition is present when:

- a) Subsidies assure that inefficient firms remain active in the market
- b) Freedom of entry and rival firms are present in a market
- c) The market is characterized by rising prices and declining product quality
- d) There is little incentive to introduce new products and discover better ways of doing things.

15. For which of the following reasons does the kinked-demand curve theory not offer an explanation:

- a) Why an oligopolists price is what it is
- b) Why an oligopolist might find that its sales fell greatly if it raised its price
- c) Why an oligopolist might find that its sales increased little if it cut its price
- d) Why an oligopolist might not change its price, even if the price of variable inputs changed.

16. Suppose that the following headlines appeared in a newspaper. Which would most clearly represent a macroeconomic issue?

- a) "Central Bank Raises Interest Rates"
- b) "Volkswagon Dealership to Cut Prices"
- c) "Jim's Freeze Dried Prunes to Lay Off 50 Workers"
- d) "Rail Driver Workers Union to Strike April 15."

17. In the completed circular flow model 'injections' are?

- a) Government Spending, Exports and Investment
- b) Saving, taxes and Imports
- c) Savings, Government Spending and Exports
- d) Investment, Imports and Taxes.

18. Adam Smith's invisible hand principle stresses the tendency of:

- a) Compassion to encourage productive economic activity
- b) The competitive market process to direct self-interested individuals into activities that enhance the economic welfare of society
- c) Government regulation to bring the self-interest of individuals into harmony with the economic welfare of society
- d) Self-interested individuals to pursue activities that benefit themselves, but harm the overall economic welfare of society.

19. Which of the following Statements is False?

- a) GDP measures the value of all goods and services produced
- b) GDP stands for Gross Domestic Product
- c) GDP excludes intermediate goods and services
- d) GDP equals wages plus trading profits.

20. Suppose an Irish firm imports €1,000 worth of bananas and sells them for €2,000. The effect on GDP would be:

- a) To decrease the value of GDP by €3,000
- b) To increase the value of GDP by €3,000
- c) To increase the value of GDP by €2,000
- d) To increase the value of GDP by €1,000.

21. Which of the following is not one of the reasons that increased exports are thought to increase a country's GDP?
- a) Exporting firms have an incentive to learn and adopt best practice technologies
  - b) An increase in demand for a country's exports constitutes an increase in aggregate demand
  - c) The revenue from exports adds to a country's international reserves of foreign exchange
  - d) Exporting firms face larger markets and can take advantage of economies of scale.
22. Partial crowding out is when the:
- a) Decrease in investment is less than the increase in government purchases and services
  - b) Increase in investment is less than the increase in government purchases and services
  - c) Increase in investment is less than the decrease in government purchases and services
  - d) Decrease in investment is less than the decrease in government purchases and services.
23. The exchange rate between Ireland and the United Kingdom is:
- a) Free floating
  - b) Fixed
  - c) Semi-fixed
  - d) Managed Floating.
24. If the UK devalues its currency relative to the Euro. The UK will experience an:
- a) Increase in exports
  - b) Increase in imports
  - c) Decrease in exports
  - d) None of the above.
25. The ratio of the change in the equilibrium level of income to a change in some autonomous increase in spending is the:
- a) Elasticity coefficient
  - b) Multiplier
  - c) Automatic stabilizer
  - d) Marginal propensity of the autonomous variable.
26. Inflation can be defined as:
- a) A persistent fall in the value of money
  - b) A persistent fall in interest levels
  - c) A persistent fall in the general price level
  - d) None of the above.
27. Which of the following is the best example of a public good?
- a) An amusement park like Disney World
  - b) A civic centre owned and operated by the government
  - c) A state university
  - d) A regional flood control project.

28. The Cecchini report was based on the \_\_\_\_\_ to be realised as a result of the '1994' programme for unifying the European Community's \_\_\_\_\_ Market.
- a) Gains and external
  - b) Losses and internal
  - c) Gains and internal
  - d) Losses and external.
29. Which of the following does **not** apply to bureaucratic records and paperwork?
- a) They allow for information to be collected and retrieved easily and efficiently
  - b) They allow for surveillance to take place by monitoring the information that they hold
  - c) They are always held in filing cabinets
  - d) Some organizations exist mainly to process bureaucratic records and information.
30. This is something that at some time in the future may destabilize and/or reduce the potential performance of the organization:
- a) Threat
  - b) Strength
  - c) Weakness
  - d) Opportunities.
31. In a SWOT analysis, a(n) \_\_\_\_\_ of a business is a trait, condition, or situation that is perceived as negative:
- a) Strength
  - b) Weakness
  - c) Opportunity
  - d) Threat.
32. PEST analysis is:
- a) A broad framework to help managers understand the environment in which their business operates
  - b) A checklist to ask how political, economic, strategic or technological developments can influence an industry and a company
  - c) A checklist for forecasting political, economic, strategic or technological factors
  - d) A framework for strategic analysis of internal and external environment.
33. \_\_\_\_\_ make the strategic plan come to life.
- a) Strategies
  - b) Objectives
  - c) Tactics
  - d) Motives.
34. \_\_\_\_\_ determine how to accomplish objectives outlined in a strategic plan.
- a) Strategies
  - b) Objectives
  - c) Tactics
  - d) Motives.

35. Which of the following is not a short term source of finance?
- a) Trade Credit
  - b) Factoring
  - c) Banks
  - d) Preference Shares.
36. Which of the following is not an external source of funding?
- a) Debt collection
  - b) Share Issue
  - c) Leasing
  - d) Hire Purchase.
37. Kotler's production Era involved:
- a) Producing as much as possible
  - b) Convincing customers to buy what you have
  - c) Giving customers what they wanted
  - d) Convincing customers to sell what you have.
38. What do Cash Cows symbolise in the BCG matrix:
- a) Remain diversified
  - b) Invest
  - c) Stable
  - d) Liquidate.
39. Which is the most likely marketing mix you would use if you wanted to increase your products market share:
- a) Promotion
  - b) Place
  - c) Pricing
  - d) Product.
40. Giving a retailer an incentive to sell your product/service is the responsibility of which marketing mix:
- a) Promotion
  - b) Place
  - c) Pricing
  - d) Product.
41. Service marketers consider which of the following?
- a) People/Participants, Physical evidence, Placement
  - b) People, Products Process
  - c) People/Participants, Physical evidence, Process
  - d) Participants, Physical evidence, Products.
42. Which research paradigm is least concerned about generalising its findings?
- a) Quantitative research
  - b) Qualitative research
  - c) Mixed research
  - d) None of the above.

43. The correlation between intelligence test scores and grades is:
- a) Positive
  - b) Negative
  - c) Perfect
  - d) They are not correlated.
44. Sales of cars in a garage over the last five months were January (28), February (33), March (34), April (34), May 28. What is the three-month moving average forecast for June?
- a) 29
  - b) 30
  - c) 31
  - d) 32.
45. The standard deviation is:
- a) The square root of the variance
  - b) A measure of variability
  - c) An approximate indicator of how numbers vary from the mean
  - d) All of the above.
46. The most frequently occurring number in a set of values is called the \_\_\_\_.
- a) Mean
  - b) Median
  - c) Mode
  - d) Range.
47. What is the median of this set of numbers: 4, 6, 7, 9, 2000000?
- a) 7.5
  - b) 6
  - c) 7
  - d) 4.
48. \_\_\_\_\_ is the set of procedures used to explain or predict the values of a dependent variable based on the values of one or more independent variables.
- a) Regression analysis
  - b) Regression coefficient
  - c) Regression equation
  - d) Regression line.
49. \_\_\_\_\_ results if you fail to reject the null hypothesis when the null hypothesis is actually false.
- a) Type I error
  - b) Type II error
  - c) Type III error
  - d) Type IV error.
50. \_\_\_\_\_ is the failure to reject a false null hypothesis.
- a) Type I error
  - b) Type II error
  - c) Type A error
  - d) Type B error.