



Formation 1 / Certificate in Business and Accounting.

Economics and Business Planning: MCQ Self - Assessment Questions 1

1. Economics is:
 - a) The study of the markets for stocks and bonds
 - b) The study of choice under conditions of scarcity
 - c) Exclusively the study of business firms
 - d) Fundamentally the same as sociology i.e. applicable only when scarcity is not a problem.
2. If an economy's production possibilities frontier shifted to the right, this would illustrate:
 - e) Increasing opportunity cost
 - f) Decreasing opportunity cost
 - g) A fall in resource utilization
 - h) Economic growth.
3. In a free market 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) Require protection from foreign forces if individuals desire wealth accumulation.
4. Which of the following would be strictly a microeconomic topic?
 - a) General rise in interest rates
 - b) A drop in inflation
 - c) A drop in the nation's unemployment rate
 - d) An increase in the price of the Toyota Corolla.
5. In one hour, George can fix 4 flat tyres or type 200 words. His opportunity cost of fixing a flat tyre is?
 - a) 200 words
 - b) 4 flat tyres
 - c) 1 word
 - d) 50 words.
6. The demand for pens has fallen. Which of the following reasons might be responsible?
 - a) An increase in the price of pens
 - b) A decrease in the price of pens
 - c) A reduction in the price of inputs for pens
 - d) Both a) and b) above.

7. If equilibrium is present in a market:
- The price of the product will tend to rise
 - Quantity demanded equals quantity supplied
 - Quantity demanded exceeds quantity supplied
 - Quantity supplied exceeds quantity demanded.
8. An economist would classify a consumer product as inferior if its:
- Income elasticity of demand is -0.5
 - Price elasticity of demand is -1.3
 - Cross price elasticity of demand is -0.7
 - Income elasticity of demand is 1.3.
9. If you increase the price of Good A and the Quantity demanded of Good B decreases. Goods A and B are:
- Substitutes
 - Complements
 - Normal Goods
 - Inferior Goods.
10. Suppose the price of a product increases from €12 to €20 and the quantity demanded falls from 55 to 45. What is the Price elasticity of demand?
- 0.4
 - 0.4
 - 2.5
 - 2.5.
11. Which of the following is the correct definition for the law of diminishing returns:
- 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
 - If extra units of one variable are added to a fixed amount of all other inputs, the marginal returns will always get smaller
 - If extra units of one variable are added to a fixed amount of all other fixed inputs, the marginal returns will always get smaller
 - 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.
12. Which of the following statements about economies of scale is true?
- A firm may have economies of scale, even if it does not have increasing returns to scale
 - A firm can only experience diseconomies of scale
 - A firm can only experience economies of scale
 - None of the above.
13. Maria wishes to buy petrol and have her car washed. She finds that if she buys 9 litres of petrol at €2.50 per litre, the car wash costs €2, but if she buys 10 litres of petrol, the car wash is free. For Maria, the marginal cost of the tenth litre of petrol is:
- Zero
 - €0.50
 - € 2.00
 - € 2.50.

14. Which of the following statements about industries that are oligopolies is false?
- a) Firms in these industries may attempt to co-operate
 - b) Firms in these industries are interdependent
 - c) The fact that there is more than one firm in an oligopoly means that there are no barriers to entry
 - d) An oligopoly with two firms is called duopoly.
15. Expansionary Fiscal Policy involves:
- a) An increase in taxes
 - b) A decrease in interest rates
 - c) A decrease in money supply
 - d) A decrease in taxes.
16. In the completed circular flow model 'leakages' are?
- a) Government Spending, Exports and Investment
 - b) Saving, taxes and Imports
 - c) Savings, Government Spending and Exports
 - d) Investment, Imports and Taxes.
17. Which of the following statements about the accelerator model is false?
- a) The model believes firms have an optimum ratio of capital to output
 - b) The model suggest that cycles could be damped or anti-damped rather than regular
 - c) To get repeated cycles, the model needs repeated shocks of investment
 - d) The model assumes that firms expect their output in the next period to be the same as it was in the previous period.
18. Which of the following actions is an example of expansionary fiscal policy?
- a) A decrease in welfare payments
 - b) A purchase of government securities in the open market
 - c) A decrease in the Bank rate
 - d) A decrease in the corporate profits tax rates.
19. $(\text{Consumption } C + \text{Investment } I + \text{Government Spending } G + \text{Net Exports } NX) - \text{Depreciation } (D)$ measures:
- a) GNP
 - b) GDP
 - c) NNP
 - d) None of the above.
20. If government purchases on goods and services increases interest rates and therefore reduces investment. This is known as:
- a) Crowding in
 - b) Crowding out
 - c) Creeping in
 - d) Creeping out.

21. Complete crowding out is when:

- a) The increase in investment equals the initial increase in government purchases
- b) The decrease in investment equals the initial increase in government purchases
- c) The decrease in investment is less than the increase in government purchases and services
- d) The increase in investment is less than the increase in government purchases and services.

22. The effective exchange rate is:

- a) The price of one currency in terms of another
- b) An index which attempts to measure the overall change in the value of one currency against a range of other currencies
- c) An index that measures changes in the international competitiveness of a country's goods and services
- d) Both b) and c) above

23. Which of the following would cause the Euro to depreciate against the US dollar, other things being equal?

- a) A fall in incomes in the US
- b) News which suggest that prospects for European firms are improving
- c) A rise in interest rates in Europe
- d) An expected rise in the value of the Euro.

24. 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.

25. 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.

26. Money is:

- a) Whatever is generally used to pay for goods, services and resources.
- b) An object that is directly consumed.
- c) Widely used in a barter economy.
- d) Something that can be used to buy things but cannot be saved.

27. The report based on the gains to be realised as a result of the '1992' programme for unifying the European Community's internal Market is known as the:

- a) Cecchini Report
- b) Ceccarelli Report
- c) Mancini Report
- d) Mogherini Report.

28. Which of the following is **not** an example of bureaucratic functioning in organisations?
- a) Paperwork and record-keeping
 - b) Hierarchical organizational structure
 - c) Advertising and marketing brochures
 - d) Policies, rules and procedures.
29. In a SWOT analysis, a(n) _____ is a trend or development in the environment that will erode business unless the company takes action.
- a) Strength
 - b) Weakness
 - c) Opportunity
 - d) Threat.
30. Which of the following is a means of categorising different elements of the organization's environment?
- a) MOST analysis
 - b) Competitor analysis
 - c) PEST analysis
 - d) SWOT analysis
31. Which of the following is NOT an example of a political risk?
- a) Government regulations
 - b) Cost of production
 - c) War
 - d) Civil unrest.
32. _____ are what you want to accomplish with a strategic plan.
- a) Strategies
 - b) Objectives
 - c) Tactics
 - d) Motives.
33. The word tactic is most likely to be associated with:
- a) Business Strategy
 - b) Corporate Strategy
 - c) Operational Strategy
 - d) All of the above.
34. A debenture:
- a) Does not require security
 - b) Receives dividend payments
 - c) Is a long-term loan
 - d) Is a short-term loan.

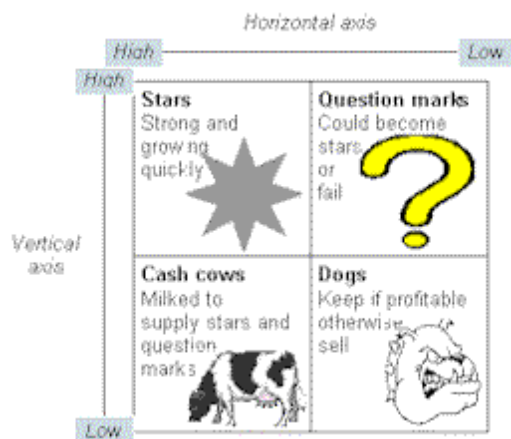
35. Which of the following is not a long term source of finance?

- a) Equity Shares
- b) Retained Earnings
- c) Debentures
- d) Trade Credit.

36. Phillip Kotler categorised marketing into five major marketing era's:

- a) The Production era, The Product Era, The Selling/Sales Era, The Marketing Era, The Societal Marketing Era
- b) The Trade era, The Product Era, The Selling/Sales Era, The Marketing Era, The Societal Marketing Era
- c) The Simple Trade era, The Product Era, The Sold Era, The Marketing Era, The Societal Marketing Era
- d) The Production era, The Product Era, The Selling/Sales Era, The Marketing Era, The Sold Era.

37. In the sketch of the BCG Matrix, what is the label on the horizontal axis:



- a) Market Growth rate
- b) Market Share
- c) Industry Growth rate
- d) Product range.

38. The BCG matrix is based on:

- a) Industry attractiveness and Business Strength
- b) Industry Growth rate and Business Strength
- c) Industry Attractiveness and Relative Market Share
- d) Industry Growth and Relative Market Share.

39. Public Relations is managed by which marketing mix

- a) Promotion
- b) Place
- c) Pricing
- d) Product.

40. Which of the following parts are included in the marketing mix?
- a) Product, place, promotion and price
 - b) Competition and customer satisfaction
 - c) Buying, selling, transporting and storing
 - d) Profit, distribution and advertising.
41. In addition to the traditional four Ps, the services marketing mix includes people, physical evidence, and:
- a) Proposition
 - b) Preparation
 - c) Penetration
 - d) Planning.
42. Marketers have responded to increasing concern for the environment with an approach called:
- a) Green marketing
 - b) Clean marketing
 - c) Environmental marketing
 - d) Activist marketing.
43. Which research paradigm is based on the pragmatic view of reality?
- a) Quantitative research
 - b) Qualitative research
 - c) Mixed research
 - d) None of the above.
44. Which Correlation is the strongest:
- a) + 0.10
 - b) - 0.95
 - c) + 0.90
 - d) + 1.00
45. Sales of A4 white paper reams for the last six months were March (250), April (280), May (290), June (270), July (250), August (230). What is the four-month moving average forecast for September?
- a) 250
 - b) 260
 - c) 240
 - d) 230
46. What is the median of the following set of scores: 18, 6, 12, 10, 14?
- a) 10
 - b) 14
 - c) 18
 - d) 12.
47. What is the mean of this set of numbers: 4, 6, 7, 9, 2000000?
- a) 7.5
 - b) 400,005.2
 - c) 7
 - d) 4.

48. In regression analysis, the variable that is being predicted is the:
- a) Response, or dependent, variable
 - b) Independent variable
 - c) Intervening variable
 - d) Is usually x.
49. Which of the following is the researcher usually interested in supporting when he or she is engaging in hypothesis testing?
- a) The alternative hypothesis
 - b) The null hypothesis
 - c) Both the alternative and null hypothesis
 - d) Neither the alternative or null hypothesis.
50. When the researcher rejects a true null hypothesis, what type of error occurs?
- a) Type I
 - b) Type A
 - c) Type II
 - d) Type B.