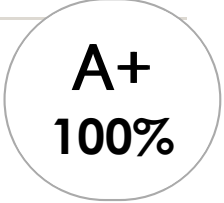


26 Multiple choice questions



A+
100%

1. the proportion of each extra dollar earned that is not spent, but is saved for future consumption
 - a. **CORRECT: marginal propensity to save (MPS)**
 - b. average propensity to consume (APC)
 - c. marginal propensity to consume (MPC)
 - d. average propensity to save (APS)

2. the concept that consumers decide what goods and services will be produced by exercising their freedom to choose their purchases
 - a. niche market
 - b. **CORRECT: consumer sovereignty**
 - c. complement
 - d. consumption function

3. the idea that firms will attempt to pursue a satisfactory level in all goals (profit maximisation, sales maximisation) rather than maximising any single goal
 - a. **CORRECT: satisficing behaviour**
 - b. individual demand
 - c. specialisation
 - d. technical optimum

4. the disadvantages faced by a firm because of the growth of the industry in which the firm is operating and are not the result of the firm changing its own scale of operations
 - a. internal economies of scale
 - b. internal diseconomies of scale
 - c. **CORRECT: external diseconomies of scale**
 - d. external economies of scale

5. the collection of firms involved in making a similar range of items that usually compete with each other e.g. the car industry
 - a. **CORRECT: industry**
 - b. capital
 - c. productivity
 - d. utility

6. the most efficient level of production for a firm; average costs being at their lowest possible level
 - a. specialisation
 - b. profit motive
 - c. **CORRECT: technical optimum**
 - d. capital

7. the satisfaction or pleasure that individuals derive from the consumption of goods and services
 - a. **CORRECT: utility**
 - b. productivity
 - c. industry
 - d. capital

8. a good that consumers may choose to buy in place of another good, such as butter and margarine or tea and coffee
 - a. **CORRECT: substitute**
 - b. productivity
 - c. capital
 - d. utility

9. the proportion of total income that is spent on consumption
 - a. marginal propensity to consume (MPC)
 - b. **CORRECT: average propensity to consume (APC)**
 - c. marginal propensity to save (MPS)
 - d. average propensity to save (APS)

10. the manufactured products used to produce goods and services, commonly described as the 'produced means of production'
- CORRECT: capital**
 - utility
 - industry
 - complement
11. the proportion of each extra dollar earned that is spent on consumption
- average propensity to save (APS)
 - average propensity to consume (APC)
 - marginal propensity to save (MPS)
 - CORRECT: marginal propensity to consume (MPC)**
12. the cost saving advantages that result from a firm expanding its scale of operations
- CORRECT: internal economies of scale**
 - external diseconomies of scale
 - internal diseconomies of scale
 - external economies of scale
13. where the factors of production are used more intensively to complete a narrow range of tasks in the production process
- utility
 - industry
 - CORRECT: specialisation**
 - capital
14. a theory that states that consumers save according to their stage of the life cycle, where the bulk of the saving takes place during the working age
- ethical decision-making
 - CORRECT: life cycle theory of consumption**
 - specialisation
 - consumption function

15. a graphical representation of the relationship between income and consumption for an individual or an economy
- specialisation
 - complement
 - CORRECT: consumption function**
 - substitute
16. the quantity of goods and services the economy can produce with a given amount of inputs such as capital and labour
- CORRECT: productivity**
 - industry
 - profit motive
 - utility
17. a segment of a mass market for a good or service that can be defined by the specific tastes or characteristics of the target customers
- complement
 - capital
 - industry
 - CORRECT: niche market**
18. a good that is used in conjunction with another good e.g. DVDs would be a complement for DVD players
- capital
 - CORRECT: complement**
 - industry
 - utility
19. the cost disadvantages (specifically, the increase in marginal costs per unit) faced by a firm expanding its scale of operations beyond a certain point
- external economies of scale
 - CORRECT: internal diseconomies of scale**
 - internal economies of scale
 - external diseconomies of scale

20. the demand of each consumer for a particular good or service
- CORRECT: individual demand**
 - niche market
 - industry
 - complement
21. payments made to increase the incomes of individuals or families in need of assistance by the government
- specialisation
 - complement
 - niche market
 - CORRECT: social welfare payments**
22. the advantages that accrue to a firm because of the growth of the industry in which the firm is operating and are not the result of the firm changing its own scale of operations
- external diseconomies of scale
 - CORRECT: external economies of scale**
 - internal economies of scale
 - internal diseconomies of scale
23. the process by which a business seeks to maximise profit by using the lowest-cost combination of resources and charging the highest possible price
- CORRECT: profit motive**
 - productivity
 - niche market
 - substitute
24. when business decisions about production methods, employment and other matters are made taking into consideration the impacts on broader society and the environment, and not simply to maximise profits of the firm
- specialisation
 - technical optimum
 - CORRECT: ethical decision-making**
 - individual demand

25. an organisation that uses entrepreneurial skills to combine the factors of production to produce goods and services
- a. **CORRECT: business firm**
 - b. industry
 - c. utility
 - d. substitute
26. the proportion of total income that is not spent, but is saved for future consumption
- a. marginal propensity to save (MPS)
 - b. **CORRECT: average propensity to save (APS)**
 - c. average propensity to consume (APC)
 - d. marginal propensity to consume (MPC)