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BOOK 1 – S. S. 1

CHAPTER 1 [Economics as a Science]

Definition & Basic Concepts

OBJ

- The action of government to forgo road construction in order to provide more health facilities denotes**
A. sound economic decision. B. opportunity cost.
C. practicable government policy. D. scale of preference. [2013/1]
- "Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses". 'Ends' here refers to**
A. resources. B. Wants. C. Choice. D. Output. [1988/1]
- Human wants are**
A. limited. B. scarce. C. unlimited.
D. in grades. [2011/1]
- Scarcity in Economics means that resources**
A. are not enough to share among the producers of goods and services. B. needed to satisfy human wants are limited. C. are never enough to share among consumers of goods and services. D. required to meet our essential wants are unlimited. [1989/1]
- Economics can be best defined as the study of**
A. how to spend the family income efficiently. B. how to find minimum cost of production. C. the interpretation of scarce resources and date. D. how scarce resources can be used efficiently. [1990/1]
- Choice is necessary because resources**
A. are available. B. can be found everywhere. C. are constant. D. are scarce. [1991/2]
- Human wants are unlimited because**
A. production is inadequate. B. resources have alternative uses. C. new wants always arise. D. resources are limited. [2014/1]
- The ranking of a consumer's needs in order of importance is termed**
A. an opportunity cost. B. economies of scale. C. a scale of preference. D. the making of choice. [1996/2]
- Which of the following is an economic activity**
A. attending a town's meeting. B. a visit to the stadium. C. payment of school fees. D. arresting a petty thief. [2004/1]
- Economics is best described as the study of**
A. the wealth of nations. B. how man consumes his products. C. how man provides for his everyday needs. D. the distribution of wealth. [2002/1]
- The study of Economics becomes necessary because of the**
A. large population size of the world. B. scarcity of resource. C. opportunity cost of goods and service. D. need to satisfy every desire of man. [2009/1]
- The concept of opportunity cost is also referred to as**
A. social cost. B. real cost. C. fixed cost. D. variable cost. [2009/2]
- Choice is necessitated by**
A. demand and supply. B. cost of production. C. production possibility curve. D. scarcity of resources. [2009/3]
- The concept of opportunity cost is important to the firm because it**
A. determines the prices of the firm's products. B. increases the level of output of the firm. C. leads to maximum satisfaction of the consumers. D. guides firms in allocating scarce resources. [2004/8]
- Economists speak about 'opportunity cost' when a consumer**
A. has the chance to minimize costs. B. has to forgo one thing in order to have another. C. can equate his fixed costs with his variable costs. D. is able to save part of his income. [2002/12]
- The main concern of economists is to**
A. allocate scarce resources to satisfy human wants. B. satisfy all human wants. C. redistribute income between the rich and the poor. D. control the growth of population. [2008/1]
- The study of Economics enables individuals to**
A. change jobs. B. evade taxes. C. accumulate huge wealth. D. make rational decisions. [2006/1]
- Scarcity implies that**
A. goods cannot be produced efficiently. B. human wants are unlimited. C. goods and services are limited in supply. D. commodities are evenly distributed within the economy. [2000/1]
- Economics is regarded as a science because it**
A. studies laws that govern human behaviour. B. uses scientific method to explain human behaviour. C. makes use of controlled experiments to explain human behavior. D. makes use of machines to study human behaviour. [2015/1]
- Economics is a social science because it**
A. deals with an aspect of human behaviour. B. provides people with the commodities they want. C. deals with limited resources which have alternative uses. D. deals with the production of goods for present and future consumption. [1992/1]
- Scarcity in Economics generally refers to**
A. a period of production. B. hoarding of goods. C. monopolization of existing supply of resources. D. resources being limited. [1992/2]
- Opportunity cost is defined as the**
A. money cost. B. cost of production. C. real cost. D. variable cost. [1992/3]
- The most basic concern of economists is to**
A. create human wants. B. satisfy all human wants. C. redistribute income so that it is used correctly. D. allocate scarce resources to satisfy human wants. [1992/4]
- Economics as a field of study is a**
A. pure science. B. political science. C. social science. D. physical science. [2003/1]
- Economics is regarded as a science because**
A. its issues can be easily verified by reference to facts. B. it adopts scientific method in making its analysis. C. its issues are relevant for national development. D. its subject matter studies human behaviour. [2017/1]
- Which of the following defines Economics most comprehensively**
A. The study of buying and selling. B. The organization of industries and markets. C. The study of human behaviour in the allocation of scarce resources. D. National development, planning and budgeting. [1992/8]
- The opportunity cost of a worker going to the university is**
A. tuition, fees and books. B. boarding and lodging. C. the wages given up to attend university. D. transportation and entertainment. [2017/2]
- The transformation curve slope indicates the**
A. opportunity cost of producing one commodity for another. B. opportunity cost of producing two commodities at a time. C. sale of the plant to other

- investors. **D.** decrease in the cost of production. [2008/14]
- 29. The problem of scarcity is reduced by** **A.** controlling consumption of goods and services. **B.** producing everything needed by consumers. **C.** ensuring efficient allocation of resources. **D.** restricting consumer choices and tastes. [2003/4]
- 30. Economic activities are undertaken to solve the problem of** **A.** consumption. **B.** opportunity cost. **C.** production. **D.** scarcity. [2005/1]
- 31. A list of consumers' wants arranged in order of priority is known as** **A.** a budget. **B.** an opportunity cost. **C.** a scale of reference. **D.** choice. [2005/3]
- 32. The 150.00 Naira which Olu would have used to purchase a textbook was used to buy a T-shirt. This implies that** **A.** Olu's real cost is 150.00 Naira. **B.** Olu's opportunity cost is the T-shirt he bought. **C.** Olu's opportunity cost is the textbook. **D.** Olu's money cost is also the real cost. [2005/4]
- 33. Human wants are insatiable because wants are** **A.** limited while means are scarce. **B.** unlimited and means are also unlimited. **C.** Limited and means are also limited. **D.** unlimited while means are scarce. [2016/1]
- 34. Scale of preference is important for the following reasons except in** **A.** satisfying wants. **B.** making rational choice. **C.** making optimum allocation of resources. **D.** using scarce resources efficiently. [2016/2]
- 35. Economics is often described as a science, because it** **A.** adopts the use of laboratory experiments. **B.** involves accurate prediction of human beings. **C.** makes use of controlled experiments. **D.** uses scientific methods to explain observed phenomena. [1997/1]
- 36. A priority rating of aggregate individual wants is called** **A.** scarcity. **B.** choice. **C.** scale of preference. **D.** opportunity cost. [1999/13]
- 37. Scarcity in Economics means that** **A.** the economy can scarcely produce anything. **B.** human wants are limitless. **C.** the economy has very few resources. **D.** resources are limited relative to wants. [1997/2]
- 38. Economics is a social science which studies how** **A.** to redistribute income. **B.** human beings behave. **C.** the market price is fixed. **D.** scarce resources are allocated to satisfy human wants. [1995/1]
- 39. Scarcity in Economics means** **A.** shortage of a commodity. **B.** unlimited demand for consumer goods. **C.** limited supply of goods and services. **D.** total absence of a commodity in the market. [1995/2]
- 40. Economics is the study of how to** **A.** choose between alternatives, given limited resources. **B.** regulate the money that is in circulation in a country. **C.** be prudent in the use of available resources. **D.** improve the standard of living of the society at large. [1993/1]
- 41. Scarcity in Economics arises because** **A.** the resources available are adequate. **B.** individuals have limited time. **C.** resources are limited in supply. **D.** human beings have limited wants. [1993/2]
- 42. The real cost of a commodity is** **A.** the cost of the alternative that has to be sacrificed for it. **B.** the alternative that has to be forgone in order to purchase it. **C.** its market price. **D.** the alternative cost involved when the opportunity of buying the commodity is missed. [1993/3]
- 43. The definition of Economics as 'the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses' was given by** **A.** Adam Smith. **B.** David Ricardo. **C.** Lionel Robbins. **D.** Thomas R. Malthus. [1994/1]
- 44. The concept of economic efficiency primarily implies** **A.** obtaining the maximum output from available resources at the lowest possible cost. **B.** conserving our petroleum resources. **C.** equity in the distribution of the nation's wealth. **D.** producing without waste. [1994/2]
- 45. The foregone alternative in Economics is simply the** **A.** marginal cost. **B.** cost of a foregone product. **C.** total cost. **D.** opportunity cost. [1997/27]
- 46. A scale of preference is a list** **A.** of consumer's wants arranged in order of importance. **B.** that helps the individual to make a rational choice. **C.** that enables the consumer to make a wise decision about his choice. **D.** that is necessary because human beings are faced with competing wants. [1993/35]
- 47. Mr. Idowu needs a television and a refrigerator. Each cost N500.00, the exact amount he has. If Mr. Idowu buys the television, the refrigerator would be regarded as the** **A.** marginal cost. **B.** inferior item. **C.** opportunity cost. **D.** supplementary item. [1994/24]
- 48. The study of Economics enables the individual to** **A.** be miserly in the spending of his money. **B.** derive maximum satisfaction from the money he spends. **C.** determine the right market to visit. **D.** avoid the purchase of luxurious items. [1998/1]
- 49. One way of solving the problem of scarcity that faces individuals is for** **A.** the government to import goods massively so that the citizens can get all they want. **B.** them to work very hard so that they are able to buy all their wants. **C.** them to choose between alternatives since they cannot meet all their wants. **D.** them to use their resources as they want. [1998/2]
- 50. To the economist, efficiency of resource use means** **A.** the maximum use of resources to achieve minimum objective. **B.** the reduction of cost for adequate output. **C.** relating value of input to that of output. **D.** maximizing output from a given amount of resources. [1998/13]
- 51. Which of the following is central to the definition of Economics?** **A.** Resources **B.** Wants **C.** Scarcity **D.** Capital. [2020/1]

THEORY

- (a) Distinguish briefly but clearly between opportunity cost and money cost (b) Has the concept of opportunity cost any relevance to the economies of West African countries?** [1990/3]
- (a) Explain the term opportunity cost (b) Highlight the relevance of the opportunity cost concept to individuals, firms and government.** [1997/3]
- Distinguish between (a) Economic resources and non-economic resources (b) Want and Demand (c) Money Cost and Real Cost** [1999/6]
- (a) Why is the scale of preference important? (b) Explain the concept of opportunity cost. (c) State the opportunity cost in each of the following actions: (i) A shirt was purchased for N500.00 instead of a pair of shoes (ii) Onions were planted on a farm realizing N20,000.00 instead of maize that could have realized N25,000.00** [2003/3]

5. (a) Why is scarcity a fundamental problem in Economics? (b) Give a reason why Economics is a (i) science (ii) social science (c) How do governments solve the problem of scarcity? [2009/3]
6. (a) Distinguish between economic activities and an economic system.(b) Explain the following terms: (i) production (ii) distribution (iii) Consumption [2012/6]
7. The table below shows the scale of preference of a student - Mr. Smith whose disposable income is \$7.00. Use the information in the table to answer the questions that follow.

Items Needed	Price (\$)
Textbook	5.00
Shirt	2.00
Shoes	3.00
Trousers	3.00
Notebook	1.00
School fees	7.00
Mattress	10.00

- (a) (i) What will Mr. Smith spend his money on? (ii) Explain your answer in 2(a)(i). (b) (i) What is the opportunity cost of Mr. Smith's decision in 2(a)(i)? (ii) Explain your answer in 2(b)(i). (c) (i) If Mr. Smith's disposable income increases to \$10.00, what will he spend it on? (ii) What is the opportunity cost of the decision in 2(c)(i)? (d) Define "scale of preference" and "opportunity cost" (e) What is the importance of a scale of preference? [2013/2]

Economic Problems

- OBJ**
1. All economic systems must decide what to produce because A. resources are not available. B. consumers want maximum satisfaction. C. resources are limited in supply. D. producers want maximum profit. [2013/5]
 2. In any economic system, which of the following is not an economic problem? A. What goods and services to produce. B. For whom to produce goods or services. C. What techniques of production to be adopted. D. Equal distribution of the goods and services. [1988/16]
 3. Which of the following problems arises where there are more than one technically possible methods of production? A. Where to produce. B. For whom to produce. C. How to produce. D. What to produce. [2012/1]
 4. The Production Possibility Curve (PPC) indicates that as more of one good is produced A. less of the other good is produced. B. the same quantity of the other good is produced. C. more of the other good is produced. D. none of the other good is produced. [2011/3]
 5. Which of the following best explains what to produce A. How much goods are to be produced. B. The combination of resources to be used. C. Which goods and services to be produced. D. How many wants are to be satisfied. [2013/27]
 6. Points outside a production possibility curve indicate A. unattainable production levels. B. attainable production levels. C. inefficient, but attainable production levels. D. optimum production levels. [2013/49]
 7. The basic problem that Economics attempts to solve is the A. ranking of goods and services. B. pricing of goods and services. C. scarcity of resources. D. foregoing of alternatives. [1996/1]
 8. A basic economic problem of any society is A. high level of illiteracy. B. irregular power supply. C. population growth. D. resource allocation. [2014/2]
 9. Which of the following is related to resource allocation in an economy? A. How to produce. B. What to produce. C. For whom to produce. D. Efficient use of inputs. [2014/4]
 10. Most of the problems of economies arise as a result of A. competing demands for scarce resources. B. increase in the demand for more goods and services. C. the desire of producers to supply more goods and services. D. the need to reduce the level of poverty. [2006/2]
 11. A society that operates below the production possibility curve is using its productive resources A. optimally. B. efficiently. C. inefficiently. D. maximally. [2009/23]
 12. Economic problems arise mainly as a result of A. inaccurate statistical data in West Africa. B. excessive wastage of available resources. C. lack of foresight on the part of resource user. D. limitations in availability of resources. [2000/2]
 13. An outward shift of the production possibility curve shows that A. production is shifting to the right. B. resources are underutilized. C. economic growth has taken place. D. factors of production are moving outward. [2015/3]
 14. In a market economy, the problem of what goods to produce is solved primarily by A. directives of the government. B. the pattern of consumer's spending. C. producers of consumer goods. D. people producing what they want. [2017/4]
 15. A society that is on its production possibility curve A. has attained full employment but not full production. B. has attained full production but not full employment. C. is using its resources inefficiently. D. has attained both full employment and full production. [1992/9]
 16. Economic problems arise because A. resources are scarce relative to wants. B. man is insatiable. C. money is scarce. D. man engages in too many economic activities. [2001/1]
 17. When all factor inputs are reduced by half, the production possibility curve will shift A. outwards. B. inwards. C. downwards. D. upwards. [2005/7]
 18. Every society strives to pursue all the following economic objectives except A. increased production. B. price stability. C. an inequitable distribution of income. D. sustainable growth and development. [1999/3]
 19. When all factor inputs are doubled the production possibility curve will A. shift from left to right and return to its original position. B. shift from left to right. C. remain in its former position. D. shift from right to left. [1999/16]

20. The decision on what to produce is a problem in A. all economic systems. B. a mixed economic system only. C. a democratic socialist economy only. D. a free enterprise system only. [1995/3]
21. The outward shift of the production possibility curve could be due to A. military conquest. B. increased money supply. C. inflation. D. economic growth. [1997/30]
22. Economic problems arise in all societies because A. resources are mismanaged by leaders. B. there is no proper planning. C. resources are not in adequate supply. D. the services of economists are not employed. [2018/1]
23. Which of the following is not emphasized in a production possibility curve A. Scarcity of resources. B. Economic development. C. Inefficiency in the use of resources. D. Unemployment of labour. [2018/2]
24. The actual output of an economy is the output A. which would exist if all resources were fully employed. B. produced by currently employed labour capital and land. C. produced in the consumer goods sector. D. produced in the capital goods sector. [1997/20]
25. The decision to consume more of one product will under normal circumstances imply that A. more of another product will be consumed. B. less of something else will be consumed. C. no other product will be consumed. D. decision-making is basic in Economics. [1994/20]
26. The fundamental economic problem in every society is A. the large number of the unemployed. B. inadequate supply of money. C. corruption and mismanagement. D. limited supply of productive resources. [2019/1]
27. A point X inside a production possibility curve indicates that A. resources are fully utilized. B. the country is poor. C. some resources are idle. D. resources are not available. [2019/2]
28. When the production possibility curve shifts outwards, the economy experiences A. growth. B. over-production. C. inefficient use of resources. D. under-production. [2020/2]

THEORY

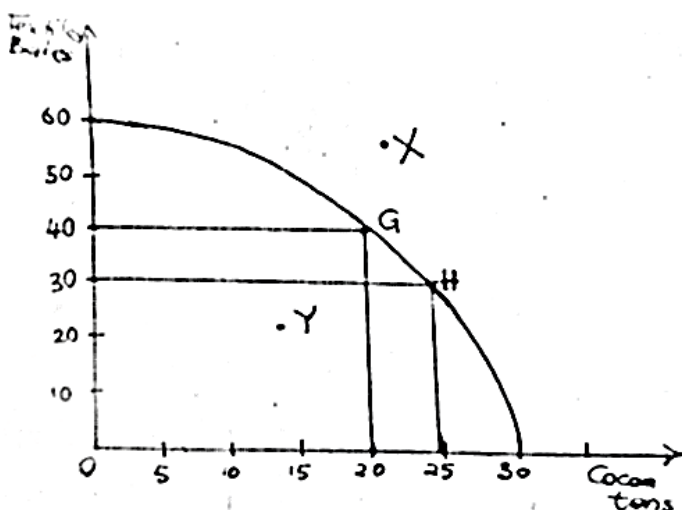
- Economic problems arise because a country's resources are limited in relation to her unlimited wants. Identify and explain these economic problems [1989/3]
- (a) What is a production possibility curve? (b) Draw a production possibility curve and indicate any: (i) point P, where resources are fully utilized; (ii) point U, where resources are under-utilized; (iii) point X, where production is not feasible (c) Explain any two factors that can make production at point X feasible (d) Why is the production possibility curve negatively sloped? [2016/3]
- The table below shows the various possible combinations of military and civilian goods produced by a country, using the available resources and technology. Use the table to answer the questions that follow.

Military Goods (in tonnes)	Civilian Goods (in tonnes)
0	200
20	160
40	120
60	80
80	40
100	0

- Draw the production possibility curve (PPC) (b) Indicate points S and K at which production is not feasible (c) Indicate points M and N at which resources are not efficiently utilized (d) What does the downward slope of the PPC indicate? (e) Why is production not feasible at points S and K? [2001/1]

- The figure below represents the production possibility curve of a nation. Use it to answer the questions that follow:

Figure 1



- What is the opportunity cost of (i) producing 30 units of cocoa; (ii) increasing textile production from 30 to 40 bales? (b) Interpret the following points as found in the graph: (i) point Y; (ii) point G; (iii) point X. (c) List three conditions that can enable the nation to produce at point X. (d) State two basic economic concepts illustrated in the diagram above. (e) (i) Define production possibility curve (ii) What does the slope of the production possibility curve indicate? [2020/2]