

UNIT 2 : BASIC PROBLEMS OF AN ECONOMY AND ROLE OF PRICE MECHANISM

Basic Problems of an Economy

★ 151. Which of the following statement is false?

- (a) The Resources are limited.
- (b) The Resources have alternative uses.
- (c) If resources are unlimited, people would be able to satisfy all their wants.
- (d) The economics problem arises because resource has only a single use.

152. The central economic problem of an economy arises due to _____

- (a) Scarcity of resources relative to the wants
- (b) Co-existences of private and public sector
- (c) Govt. interference in economic activities
- (d) Federal structure of Constitution

[July 2021]

153. The basic problem of scarcity give rise to:

- (a) Technological problems
- (b) Social problems
- (c) Cultural problems
- (d) Economic problems

154. Which of the following economic system has to deal with the control problem of scarcity of resources?

- (a) Capitalist
- (b) Socialist
- (c) Mixed
- (d) All of the above

155. In economics, the central economic problem means:

- (a) Output is restricted to the limited availability of resources.
- (b) Consumer do not have as much money as they would wish
- (c) There will always be certain level of unemployment
- (d) Resources are not always allocated in an optimum way

156. Which of the following is the central problem of economy?

- (a) Scarcity of resources
- (b) Unemployment
- (c) Poverty
- (d) Inflation

[June 2023]

157. Which of the following is the central problem of the economy?

- (a) Unemployment
- (b) Poverty
- (c) Scarcity of resources
- (d) Inflation

[June 2022]

158. The Central problem in every economic society is:

- (a) To ensure a minimum level of income for every individual.
- (b) To allocate scarce resources in such a manner that societies unlimited wants are satisfied in the best possible manner.
- (c) To ensure that production occurs in the most efficient manner.
- (d) To provide job to every job seeker.

[CA CPT June 2017]

159. A developed economy uses _____ technique in production.

- (a) Labour intensive.
- (b) Capital intensive
- (c) Home-based
- (d) Traditional

[CA CPT June 2010]

160. The 'Central Economics Problem' does not deal with which of the following economic problems?

- (a) What to produce?
- (b) How to produce?
- (c) For whom to produce?
- (d) Where to produce?

[July 2021]

161. The central problem in economics is that of

- (a) Comparing the success of command versus market economies.
- (b) Guaranteeing that production occurs in the most efficient manner.
- (c) Guaranteeing a minimum level of income for every citizen.
- (d) Allocating scarce resources in such a manner that society's unlimited needs or wants are satisfied in the best possible manner.

★ 162. Which of the following refers to the sum total of arrangements for the product^{ion} and distribution of goods and services in society?

- (a) Economic System
- (b) Business System
- (c) Capitalist Economic System
- (d) Socialist Economic System

[June 2023]

★ 163. Capital intensive technique would get chosen in a

- (a) Labour surplus economy where the relative price of capital is lower.
- (b) Capital surplus economy where the relative price of capital is lower.
- (c) Developed economy where technology is better.
- (d) Developing economy where technology is poor.

★ 164. Which of the following is not a part of central economic Problem?

- (a) What to Produce?
- (b) How to Produce?
- (c) For whom to Produce?
- (d) Price fixation of Production.

★ 165. _____ refers to the sum total of arrangements for the production and distribution of goods and services in a Society.

- (a) Economic System
- (b) Social System
- (c) Business system
- (d) Comprehensive System

★ 166. Economic Problem arises when:

- (a) Wants are unlimited
- (b) Resources are limited

- (c) Alternative uses of resources
- (d) All of the above

[CA CPT Dec. 2009]

★ 167. Which of the following is not one of the four central questions that the study of economics is supposed to answer?

- (a) Who produces what?
- (b) When are goods produced?
- (c) Who consumes what?
- (d) How are goods produced?

★ 168. The classification of economies into Capitalist, Socialist and Mixed is based on their:

- (a) Mode of Production, exchange and distribution
- (b) Government's role in economic activity.
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

★ 169. The choice between labour and Capital intensive techniques is related with.

- (a) What to Produce?
- (b) How to Produce?
- (c) For whom to Produce?
- (d) All of the above

Capitalist Economy

★ 170. Which one of the following is not an example of capitalist economy?

- (a) Japan
- (b) Mexico
- (c) Germany
- (d) Cuba

★ 171. The capitalist Economy uses _____ as principle means of allocation of resources -

- (a) Price
- (b) Demand
- (c) Supply
- (d) None of the above

- (a) Voting done by consumers
- (b) A central planning authority.
- (c) Consumer preferences.
- (d) The level of profits of firms.

172. Freedom of choice is the advantage of _____.

- (a) Socialism
- (b) Capitalist
- (c) Mixed economy
- (d) None of the above

[CA CPT May 2019]

173. A capitalist economy consists of

- (a) Central planning authority
- (b) A mechanism to decide as what, how and for whom to produce
- (c) Both (a) and (b)
- (d) None of the above

[CA CPT May 2019]

174. Capitalist system offer incentives for:

- (a) Efficient business decisions
- (b) Efficient government decisions
- (c) Efficient non-government decisions
- (d) Efficient economic decisions

175. In capitalistic economy _____ and _____ will be more

- (a) Equalities, non-exploitation
- (b) Inequalities, exploitation
- (c) Exploitation, equalities
- (d) Non-exploitation, inequalities

[Nov. 2020]

176. In a free market economy the allocation of resources is determined by

177. An economy is called capitalist economy, when _____ is given.

- (a) Right to private property
- (b) Freedom of Government interference
- (c) Freedom of business choices
- (d) Discrimination

[Jan. 2021]

178. A capitalist economy uses _____ as the principal means of allocating resources.

- (a) Demand
- (b) Supply
- (c) Efficiency
- (d) Prices

179. An economic system in which all means of production are owned and controlled by private individuals for profit is called as?

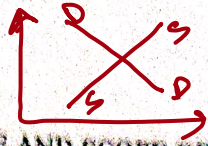
- (a) Free economy
- (b) Capitalist economy
- (c) Normative economy
- (d) Socialist economy

[June 2023]

180. Laissez-Faire economy is also known as :

- (a) Capitalist economy
- (b) Socialist economy
- (c) Mixed economy
- (d) Communist economy

[Jan. 2021]



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181. Capitalist system offer incentives for _____

- (a) Efficient business decisions
- (b) Efficient government decisions
- (c) Efficient non-government decisions
- (d) Efficient economic decisions

[Jan. 2021]

182. One of the demerits of capitalism is that it leads to formation of _____

- (a) Duopoly
- (b) Oligopoly
- (c) Monopoly
- (d) Perfect Competition

[Dec. 2021]

183. Price Mechanism is the main feature of which economy

- (a) Capitalistic Economy
- (b) Mixed Economy
- (c) Socialist Economy
- (d) All of the above

[CA CPT Nov. 2018]

184. Profit motive is a merit of

- (a) Socialism
- (b) Capitalism
- (c) Mixed economy
- (d) None of the above

185. Which out of these are the feature of capitalism?

- (i) Profit motive
- (ii) Human welfare
- (iii) Work through price mechanism

- (a) (i) and (ii)
- (b) (ii) and (iii)

- (c) (i) and (iii)
- (d) All of these

[CA CPT Nov. 2018]

186. Which of the following is not one of the features of capitalist economy?

- (a) Right of private property
- (b) Freedom of choice by the consumers
- (c) No profit, No Loss motive
- (d) Competition

187. Capitalist economy solve their economic problems through which of the following?

- (a) Central Planning Authority
- (b) Price mechanism
- (c) Administered Prices
- (d) Voting done by customers

[June 2023]

188. _____ is an economic system in which all means of production are owned and controlled by private individuals for profit.

- (a) Capitalist
- (b) Socialist
- (c) Mixed
- (d) None of the above

189. Which of the following is considered as a disadvantage of allocating resources using the market system?

- (a) Income will tend to be unevenly distributed.
- (b) People do not get goods of their choice.
- (c) Men of Initiative and enterprise are not rewarded.
- (d) Profits will tend to be low.

Answers

1.	(c)	2.	(d)	3.	(a)	4.	(b)	5.	(b)	6.	(c)	7.	(d)
8.	(c)	9.	(b)	10.	(d)	11.	(b)	12.	(c)	13.	(a)	14.	(c)
15.	(c)	16.	(c)	17.	(b)	18.	(b)	19.	(c)	20.	(a)	21.	(c)
22.	(b)	23.	(d)	24.	(a)	25.	(b)	26.	(c)	27.	(d)	28.	(a)
29.	(d)	30.	(c)	31.	(a)	32.	(c)	33.	(a)	34.	(a)	35.	(d)
36.	(d)	37.	(b)	38.	(c)	39.	(d)	40.	(a)	41.	(d)	42.	(a)
43.	(a)	44.	(b)	45.	(a)	46.	(a)	47.	(b)	48.	(c)	49.	(d)
50.	(a)	51.	(b)	52.	(b)	53.	(d)	54.	(a)	55.	(b)	56.	(a)
57.	(a)	58.	(d)	59.	(a)	60.	(d)	61.	(d)	62.	(a)	63.	(a)
64.	(a)	65.	(b)	66.	(c)	67.	(a)	68.	(c)	69.	(b)	70.	(d)
71.	(b)	72.	(b)	73.	(c)	74.	(b)	75.	(b)	76.	(a)	77.	(d)
78.	(a)	79.	(c)	80.	(d)	81.	(d)	82.	(a)	83.	(c)	84.	(a)
85.	(d)	86.	(a)	87.	(d)	88.	(a)	89.	(d)	90.	(b)	91.	(c)
92.	(a)	93.	(a)	94.	(a)	95.	(b)	96.	(d)	97.	(a)	98.	(d)
99.	(d)	100.	(b)	101.	(b)	102.	(a)	103.	(a)	104.	(a)	105.	(b)
106.	(c)	107.	(d)	108.	(a)	109.	(a)	110.	(d)	111.	(a)	112.	(a)
113.	(c)	114.	(c)	115.	(b)	116.	(d)	117.	(d)	118.	(b)	119.	(a)
120.	(b)	121.	(a)	122.	(d)	123.	(b)	124.	(d)	125.	(c)	126.	(c)
127.	(b)	128.	(a)	129.	(a)	130.	(c)	131.	(d)	132.	(a)	133.	(c)
134.	(c)	135.	(d)	136.	(a)	137.	(c)	138.	(c)	139.	(d)	140.	(d)
141.	(c)	142.	(c)	143.	(a)	144.	(d)	145.	(c)	146.	(c)	147.	(d)
148.	(d)	149.	(b)	150.	(d)	151.	(d)	152.	(a)	153.	(d)	154.	(c)