**Economics MCQ – Chapter 4 – The individual as producer, consumer and borrower**

**Q1. Which function of money enables people to compare the worth of different products?**

1. Medium of exchange
2. Standard for deferred payments
3. Store of value
4. Unit of account

 ( )

**Q2. A merchant travels abroad for a few days to buy samples of low-value goods from a range of manufacturers. Which property of money would be least necessary for this to take place smoothly?**

1. Acceptability
2. Divisibility
3. Durability
4. Portability

( )

**Q3. Why do banknotes function as money?**

1. They are backed by gold.
2. They are durable.
3. They are generally acceptable.
4. They have intrinsic value.

**Q4. Which function is performed by both commercial banks and central banks?**

1. Acting as bankers to the government
2. Advising the government on monetary policy
3. Dealing in foreign exchange
4. Fixing the main interest rate

( )

**Q5. An individual has various financial assets. What is the most easily available as cash?**

1. A current (checking) bank account
2. Government bonds
3. Share certificates in a public company
4. Time deposits in a savings bank

( )

**Q6. Which motive is most likely to increase the wish to open a savings account?**

1. To have cash immediately available
2. To prepare for future expenditure
3. To satisfy essential needs
4. To widen present consumption choices

( )

**Q7. In most countries, which organisation controls the banking system?**

1. Central bank
2. Commercial bank
3. Investment bank
4. World Bank

( )

**Q8. Share prices on the stock market are most likely to rise if**

1. Employment falls.
2. Interest rates fall.
3. Interest rates rise.
4. Tax rates rise.

( )

**Q9. The ways of making and receiving payments continue to develop. As well as cash, debit cards and credit cards, mobile (cell) phones are now being used to make payments.**

**Which method of paying for products provides no information to sellers about their customers?**

1. Cash
2. Debit cards
3. Credit cards
4. Mobile (cell) phones

( )

**Q10. A stock exchange is a market in which**

1. a system of barter operates.
2. the interest rate is fixed.
3. the value of the exchange rate is determined.
4. shares are bought and sold.

( )

**Q11. ‘Savers suffer as inflation rises to 4.4 %.’**

**Which function of money is most involved in this statement?**

1. means of deferred payments
2. medium of exchange
3. store of value
4. unit of account

( )

**Q12. What function does a central bank provide for the general public?**

1. accepting deposit
2. issuing banknotes
3. making loans
4. providing overdrafts

( )

**Q13. A person is keen to repay a large debt owed on his credit card.**

**What is likely to cause that person to reduce the credit card repayment and spend more from his weekly wage?**

1. an increase in interest rates
2. an increase in the price of essential products
3. an increase in the range of products available
4. an increase in weekly earnings

( )

**Q14. A commercial bank is appointed to act as a country’s central bank. What new function would it now have?**

1. Controlling monetary policy
2. Dealing in foreign exchange
3. Ensuring security for loans
4. Holding liquid assets

( )

**Q15. Why would people use their savings to buy shares on a stock exchange?**

1. To allow easy access to their income
2. To earn a fixed income
3. To keep their money in a safe place
4. To make a capital gain

( )

**Q16. What is the function of a stock exchange?**

1. It enables shareholders to sell their shares.
2. It fixes fair prices for shares.
3. It promises to buy unsold shares.
4. It sets the number of shares.

( )

**Q17. Anything used as money must have**

1. a fixed supply.
2. general acceptability.
3. recognition as legal tender.
4. value in itself.

( )

**Q18. What is most likely to be the main function of a central bank?**

1. controlling the money supply
2. investing in commerce and industry
3. issuing and processing credit cards
4. making loans to individuals

( )

**Q19. What is a function of a central bank?**

1. to decide government spending
2. to determine all interest rates
3. to issue new currency
4. to lend to private businesses

( )

**Q20. What might encourage a consumer to save rather than to spend?**

1. being made unemployed
2. discounts on products
3. government subsidies to producers
4. high interest rates

( )

Structural Questions

1. Barter trade creates a lot of problems that undermine society from conducting specialization and business activities.

a. Explain the main problems of trade and how it undermines specialization, trading and business activities. (6)

b. Explain how the functions of money can solve these problems (8)

c. Why paper money (fiat money) can be useful to serve the functions of money? (6)