

Pre-IB Economics Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which describes a movement along the PPF?**
 - A. An outward shift of the frontier**
 - B. A change in productive capacity**
 - C. A change in the combination of goods produced using existing resources**
 - D. A shift of the entire frontier**

- 2. Which statement describes absolute advantage?**
 - A. The ability to produce at a lower opportunity cost than another producer.**
 - B. A situation where a producer can produce everything with fewer resources and faster.**
 - C. The ability to produce more of a good than another producer using the same amount of resources.**
 - D. The maximum total output possible with given resources.**

- 3. If a country experiences high GDP growth but increasing inequality, which concept applies?**
 - A. Economic growth**
 - B. Economic development**
 - C. Growth without development**
 - D. Sustainable growth**

- 4. GDP per capita is a rough proxy for what?**
 - A. Average living standards**
 - B. Total GDP**
 - C. Inflation rate**
 - D. Unemployment rate**

- 5. What does the Production Possibility Frontier illustrate?**
 - A. A curve showing all maximum combinations of two goods an economy can produce using its current resources and technology efficiently.**
 - B. A curve showing the relationship between price and quantity demanded.**
 - C. The production function for one good.**
 - D. A graph of average total cost.**

- 6. What does the Law of Demand state?**
- A. A movement along the demand curve caused by a change in income.**
 - B. A movement of the entire demand curve caused by a non-price determinant: income, tastes, prices of related goods, expectations, or population.**
 - C. As the price of a good rises, quantity demanded falls — and vice versa — assuming all other factors remain constant.**
 - D. The concept that demand curves always slope downward due to technology.**
- 7. Which statement describes a normal good?**
- A. A good for which demand rises as consumer income rises.**
 - B. A good for which demand falls as consumer income rises.**
 - C. A good whose demand is unaffected by income.**
 - D. A good that is a substitute for another.**
- 8. Income distribution describes how total national income is divided among the population, typically analyzed by what method?**
- A. Gini coefficient**
 - B. Income quintiles or deciles**
 - C. HDI components**
 - D. Life expectancy**
- 9. Which statement describes comparative advantage?**
- A. The greater efficiency in producing a good using fewer resources than another producer.**
 - B. The ability to produce a good at a lower opportunity cost than another producer.**
 - C. A curve that shows all maximum combinations of two goods.**
 - D. The concept that trade is only beneficial if neither country has a comparative advantage.**

10. Which policy creates a surplus of labour and unemployment when set above the equilibrium wage?

- A. Minimum wage**
- B. Rent control**
- C. Price deflator**
- D. GDP growth rate**

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Answers

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1. C
2. C
3. C
4. A
5. A
6. C
7. A
8. B
9. B
10. A

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Explanations

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1. Which describes a movement along the PPF?

- A. An outward shift of the frontier
- B. A change in productive capacity
- C. A change in the combination of goods produced using existing resources**
- D. A shift of the entire frontier

Movement along the PPF happens when you change the mix of two goods produced while keeping resources and technology the same. You're simply reallocating existing resources to produce more of one good and less of the other, so you stay on the same frontier curve. This trace along the curve reflects the opportunity cost of choosing more of one good over the other. The other ideas describe shifts of the frontier itself: an outward shift means the economy can produce more in total due to more resources or better technology, which changes the frontier's position. A change in productive capacity or a shift of the frontier also implies the overall potential output has changed, not just the mix along the existing curve.

2. Which statement describes absolute advantage?

- A. The ability to produce at a lower opportunity cost than another producer.
- B. A situation where a producer can produce everything with fewer resources and faster.
- C. The ability to produce more of a good than another producer using the same amount of resources.**
- D. The maximum total output possible with given resources.

Absolute advantage is about productivity: when two producers have the same resources, the one that can produce more of a good is said to have the absolute advantage in that good. This is a straightforward comparison of output given equal inputs. So, the statement that describes this is the one that says you can produce more of a good using the same resources. It doesn't involve comparing opportunity costs (that's comparative advantage), nor does it claim someone can produce everything with fewer resources or that they can produce the maximum possible output of all goods. It's specifically about higher output of a single good with the same inputs. For example, if one producer makes more units of a good using the same resources as another, that producer has the absolute advantage in that good.

3. If a country experiences high GDP growth but increasing inequality, which concept applies?

- A. Economic growth**
- B. Economic development**
- C. Growth without development**
- D. Sustainable growth**

The main idea here is the difference between how fast an economy grows and how that growth translates into people's living standards. GDP growth shows the economy is producing more, but it doesn't say anything about how the gains are distributed or whether overall well-being improves. When growth is accompanied by rising inequality where most people aren't seeing better living conditions, the economy is expanding without developing the society. Development would mean not only higher output but also improvements in things like health, education, and fair access to opportunities for the population. If those welfare aspects don't improve and inequality widens, the situation fits growth without development. Economic growth alone is too narrow a concept, focusing only on output. Economic development would require broader improvements in living standards and equity, which aren't evident here due to increasing inequality. Sustainable growth involves keeping growth going over time with attention to resources and the environment, but the key signal in this scenario is the lack of broad development despite higher GDP, hence growth without development.

4. GDP per capita is a rough proxy for what?

- A. Average living standards**
- B. Total GDP**
- C. Inflation rate**
- D. Unemployment rate**

GDP per capita is used as a rough proxy for average living standards because it divides the total economic output by the number of people, giving an average amount of goods and services available per person. A higher figure usually indicates people can afford more and enjoy a higher standard of living, on average. But it isn't perfect: it hides how income is distributed, ignores non-market activities and leisure, and doesn't adjust for price level differences across countries. It also isn't measuring inflation or unemployment, which are separate indicators.

5. What does the Production Possibility Frontier illustrate?

- A. A curve showing all maximum combinations of two goods an economy can produce using its current resources and technology efficiently.**
- B. A curve showing the relationship between price and quantity demanded.**
- C. The production function for one good.**
- D. A graph of average total cost.**

Think of the Production Possibility Frontier as a boundary that shows the maximum combinations of two goods an economy can produce with its current resources and technology. Points on the curve represent efficient use of resources, where producing more of one good requires sacrificing some of the other. The slope there reflects the opportunity cost of shifting resources from one good to the other. Points inside the curve are feasible but inefficient, since not all resources are being used, while points outside are unattainable with current resources. The curve is usually bowed outward because resources aren't equally good at making both goods, so the opportunity cost rises as you move along.

6. What does the Law of Demand state?

- A. A movement along the demand curve caused by a change in income.**
- B. A movement of the entire demand curve caused by a non-price determinant: income, tastes, prices of related goods, expectations, or population.**
- C. As the price of a good rises, quantity demanded falls – and vice versa – assuming all other factors remain constant.**
- D. The concept that demand curves always slope downward due to technology.**

The main idea here is the inverse relationship between price and quantity demanded, holding everything else constant. When the price of a good falls, the quantity demanded tends to rise, and when the price rises, the quantity demanded tends to fall. This movement along the same demand curve happens because buyers respond to a lower price by purchasing more, and to a higher price by buying less, assuming no other factors change (the ceteris paribus idea). The statement that matches this is that as price changes, quantity demanded moves in the opposite direction, with other factors held constant. Changes in non-price determinants like income, tastes, or prices of related goods shift the entire demand curve rather than causing a single point to move along it. The notion that demand curves slope downward due to technology mixes up the idea with the supply side, where technology can affect how much is produced at each price.

7. Which statement describes a normal good?

- A. A good for which demand rises as consumer income rises.**
- B. A good for which demand falls as consumer income rises.**
- C. A good whose demand is unaffected by income.**
- D. A good that is a substitute for another.**

Demand for a normal good increases as income rises. When people have more money, they can buy more of these goods, so the quantity demanded goes up with income (income elasticity > 0). This contrasts with inferior goods, where demand falls as income rises, and neutral goods, where demand doesn't change with income. Substitutes involve how the demand for one good responds to the price of another, not to income. So the statement that demand rises with income best describes a normal good.

8. Income distribution describes how total national income is divided among the population, typically analyzed by what method?

- A. Gini coefficient**
- B. Income quintiles or deciles**
- C. HDI components**
- D. Life expectancy**

Dividing the population into equal-income groups and comparing the shares of total income they hold is the clearest way to see how income is spread. Using quintiles (five groups) or deciles (ten groups) orders people from lowest to highest income and splits them into equal-sized slices, then looks at how much of the national income each slice earns. This makes it easy to spot whether a large share goes to the top, or if income is more evenly distributed, and to compare across countries or over time. Other measures exist, like the Gini coefficient, which condenses inequality into a single number, but it doesn't show the actual distribution across groups. HDI components and life expectancy relate to development and health indicators rather than describing how income is divided among the population.

9. Which statement describes comparative advantage?

- A. The greater efficiency in producing a good using fewer resources than another producer.**
- B. The ability to produce a good at a lower opportunity cost than another producer.**
- C. A curve that shows all maximum combinations of two goods.**
- D. The concept that trade is only beneficial if neither country has a comparative advantage.**

Comparative advantage is about opportunity costs—the idea that a country should specialize in and trade goods for which it gives up the least to produce. The best statement captures this: a country can produce a good at a lower opportunity cost than another producer. This matters because even if one country is more efficient at producing both goods (an absolute advantage in both), there can still be gains from trade if the relative sacrifices differ. By focusing on the good with the lower opportunity cost, each country can specialize and trade to enjoy more of both goods than if they tried to produce everything alone. The other descriptions fit different ideas: one describes absolute efficiency, not relative trade-offs; another describes the production possibilities frontier, which shows maximum combinations but not the idea of relative costs; and the last statement is incorrect because trade can be beneficial precisely when there are differences in comparative costs, not only when neither country has any advantage.

10. Which policy creates a surplus of labour and unemployment when set above the equilibrium wage?

- A. Minimum wage**
- B. Rent control**
- C. Price deflator**
- D. GDP growth rate**

Setting a wage above the market-clearing level creates a surplus of labor because more workers are willing to work at that higher wage than firms are willing to hire. The demand for labor falls as wages rise, while the supply of labor rises, so the two quantities don't match and unemployment results. A minimum wage only causes this unemployment when it is binding—above the equilibrium wage; if it were at or below that level, it wouldn't create a surplus of labor. Other options don't directly create a surplus of labor in the same way: rent control affects housing supply, a price deflator is an inflation-adjustment tool, and the GDP growth rate is a macro outcome, not a wage policy.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://preibeconomics.examzify.com>

We wish you the very best on your exam journey. You've got this!

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