PRE-IB ECONOMICS PRACTICE EXAM (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

Table of Contents

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

1. The law of supply describes the relationship between price and which of the following?

A. Inverse relationship with quantity demanded

B. Direct relationship with quantity supplied

C. No relationship

D. Direct relationship with quantity demanded

2. Identify a supply-side factor that promotes long-run growth.

A. Increases in capital stock and improvements in technology or productivity-enhancing policies.

B. Increases in government spending

C. Higher tariffs

D. Short-run demand management

3. 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.

4. What is income elasticity of demand and what does a value greater than 1 indicate?

A. Income elasticity measures responsiveness of quantity demanded to income; a value greater than 1 indicates a luxury good.

B. Income elasticity measures responsiveness of quantity supplied to income; a value greater than 1 indicates a luxury good.

C. Income elasticity measures responsiveness of quantity demanded to price; a value greater than 1 indicates elasticity.

D. Income elasticity measures responsiveness of quantity demanded to income; a value greater than 1 indicates a normal good.

5. **If the Lorenz curve bows further away from the line of perfect equality, what happens to inequality?**
   A. Decrease
   B. Cannot be determined
   C. Increase
   D. Remain the same

6. **How is producer surplus represented on a supply curve?**
   A. The area above the price line and below the demand curve, up to the quantity purchased.
   B. The area below the price line and above the supply curve, up to the quantity sold.
   C. The rectangle under the demand curve.
   D. The area below the price line and above the quantity axis.

7. **What are the components of aggregate demand (AD)?**
   A. C + I + G + NX
   B. Consumption, Savings, Government Spending, Net Exports
   C. C + I + G
   D. Exports minus Imports plus Taxes

8. **What does consumer surplus represent on a standard demand diagram?**
   A. The value consumers place on a good minus the amount paid, summed over all units purchased.
   B. The total revenue earned by producers.
   C. The total value to society.
   D. The area under the demand curve.

9. **What is a common short-run effect of expansionary monetary policy when unemployment is high?**
   A. Lower inflation and higher unemployment.
   B. Lower unemployment and higher inflation in the short run.
   C. No change in inflation or unemployment.
   D. Only affects exchange rates.

10. Which of the following is NOT a determinant of supply?

A. Prices of factors of production

B. Technology

C. Prices of related outputs

D. Prices of consumer goods

Answers

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

Explanations

1. The law of supply describes the relationship between price and which of the following?

A. Inverse relationship with quantity demanded

B. Direct relationship with quantity supplied

C. No relationship

D. Direct relationship with quantity demanded

The main concept is how price affects the quantity that producers are willing to supply—the law of supply. As the price of a good rises, producers are motivated to increase the quantity they offer for sale; as the price falls, they reduce the quantity supplied. This positive or direct relationship creates an upward-sloping supply curve, reflecting that higher prices cover higher marginal costs and usually improve profitability, encouraging more production or new firms to enter the market. This makes the best choice the one that describes a direct relationship between price and quantity supplied. The other ideas mix up the relationship: an inverse relationship with quantity demanded describes the law of demand, not supply; saying no relationship is incorrect because supply clearly responds to price; and a direct relationship with quantity demanded would be false because price and quantity demanded move in opposite directions.

2. Identify a supply-side factor that promotes long-run growth.

A. Increases in capital stock and improvements in technology or productivity-enhancing policies.

B. Increases in government spending

C. Higher tariffs

D. Short-run demand management

Long-run growth comes from expanding the economy's productive capacity. Increasing the capital stock—machinery, buildings, infrastructure—raises the amount of output the economy can produce in the future. Improvements in technology and policies that raise productivity make workers and capital more productive, effectively shifting the production potential outward. When these supply-side factors improve, the economy can sustain higher output over time. That combination—more capital and better technology or productivity-enhancing policies—best promotes long-run growth because it directly enlarges what the economy can produce in the long run. The other options either affect demand in the short term, can crowd out private investment or reduce efficiency, or do not inherently raise the economy's capacity to produce over the long horizon.

3. 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.

4. What is income elasticity of demand and what does a value greater than 1 indicate?

A. Income elasticity measures responsiveness of quantity demanded to income; a value greater than 1 indicates a luxury good.

B. Income elasticity measures responsiveness of quantity supplied to income; a value greater than 1 indicates a luxury good.

C. Income elasticity measures responsiveness of quantity demanded to price; a value greater than 1 indicates elasticity.

D. Income elasticity measures responsiveness of quantity demanded to income; a value greater than 1 indicates a normal good.

Income elasticity of demand measures how responsive the quantity demanded is to changes in income. It is calculated as the percentage change in quantity demanded divided by the percentage change in income. When this elasticity exceeds one, the good is a luxury: demand rises more than proportionally as income increases, so higher-income households buy disproportionately more of it. This differs from necessities, where the elasticity is between zero and one, and from inferior goods, which have negative elasticity. It's also distinct from price elasticity of demand, which looks at responsiveness to price, not income.

5. If the Lorenz curve bows further away from the line of perfect equality, what happens to inequality?

A. Decrease

B. Cannot be determined

C. Increase

D. Remain the same

The Lorenz curve shows how income is distributed across the population, with the line of perfect equality representing a perfectly even split. When the curve bows further away from that diagonal, a smaller portion of income goes to a larger portion of the population, meaning the distribution is more unequal. The larger the bow, the bigger the gap between actual shares and equal shares, which corresponds to higher inequality (the area between the curve and the line grows). So, inequality increases.

6. How is producer surplus represented on a supply curve?

A. The area above the price line and below the demand curve, up to the quantity purchased.

B. The area below the price line and above the supply curve, up to the quantity sold.

C. The rectangle under the demand curve.

D. The area below the price line and above the quantity axis.

Producer surplus is the extra benefit producers get when the market price is higher than their minimum acceptable price (their marginal cost) for each unit sold. On a graph with price on the vertical axis and quantity on the horizontal axis, the supply curve shows that minimum acceptable price for each quantity. The market price is a horizontal line. The total producer surplus is the area between that price line and the supply curve, from zero up to the quantity sold. In other words, it's the area below the price line and above the supply curve up to the sold quantity. If costs rise or fall, that area changes accordingly.

7. What are the components of aggregate demand (AD)?

A. C + I + G + NX

B. Consumption, Savings, Government Spending, Net Exports

C. C + I + G

D. Exports minus Imports plus Taxes

The question tests what makes up aggregate demand in macroeconomics. Aggregate demand is the total spending on domestically produced goods and services at a given price level. It consists of four parts: Consumption by households, Investment by firms in capital, Government purchases of goods and services, and Net exports (exports minus imports). Put together, AD = C + I + G + NX, where NX represents the demand for a country's output from foreign buyers (exports) minus what domestic residents buy from abroad (imports). That's why the correct option lists C, I, G, and NX. The other options mix elements that aren't direct components of AD in the standard expenditure approach: Savings is not a direct part of aggregate demand, and taxes don't appear as a direct component of AD even though they influence spending indirectly. Exports minus imports alone omits the domestic spending components C and I and thus doesn't capture total demand for the economy's output.

8. What does consumer surplus represent on a standard demand diagram?

A. The value consumers place on a good minus the amount paid, summed over all units purchased.

B. The total revenue earned by producers.

C. The total value to society.

D. The area under the demand curve.

Consumer surplus is the extra benefit buyers get from paying less than what they're willing to pay for each unit. On a demand diagram, this shows up as the area between the demand curve (which reflects willingness to pay) and the market price, from zero up to the quantity bought. For every unit, the value to the buyer is the price on the demand curve, and they actually pay the market price, so the difference is the surplus for that unit. Adding these differences across all units purchased gives the total consumer surplus, which matches the idea of value consumers place on the good minus the amount paid, summed over all units purchased. This differs from total revenue (price times quantity), total value to society (social welfare includes producers too), or the area under the demand curve (which is total willingness to pay, not surplus).

9. What is a common short-run effect of expansionary monetary policy when unemployment is high?

A. Lower inflation and higher unemployment.

B. Lower unemployment and higher inflation in the short run.

C. No change in inflation or unemployment.

D. Only affects exchange rates.

Expansionary monetary policy boosts demand by increasing the money supply or lowering interest rates. When unemployment is high, the economy has idle resources, so this boost in demand tends to pull more people into work, lowering unemployment in the short run. At the same time, the higher demand puts upward pressure on prices, especially if prices and wages are sticky in the short run, leading to higher inflation. So the typical short-run result is lower unemployment along with higher inflation. The other possibilities don't fit this dynamic: demand still goes up with expansionary policy, so inflation rises rather than falling or staying unchanged, and it's not limited to effects on exchange rates alone.

10. Which of the following is NOT a determinant of supply?

A. Prices of factors of production

B. Technology

C. Prices of related outputs

D. Prices of consumer goods

Supply is about how much producers are willing and able to offer at each price, given their costs and incentives. Production costs—what firms pay for inputs like labor, raw materials, and energy—directly influence how much they can profitably produce, so a rise in input costs tends to reduce supply, while cheaper inputs expand it. Advances in technology can make production cheaper or faster, shifting the supply outward. Prices of related outputs matter because if the same inputs could be used to make a different product that's more profitable, firms may switch production, changing the supply of the original good. Expectations, taxes and subsidies, and the number of sellers also play roles in determining supply. The price of consumer goods, by contrast, affects demand: it changes how much consumers want to buy, not how much producers are willing to supply. Therefore, the price of consumer goods is not a determinant of supply.

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!