

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	In the long run in perfect competition	<p>A. Price = average= cost = marginal cost</p> <p>B. Price = average cost = total cost</p> <p>C. The price covers fixed cost</p> <p>D. total revenue = total variable cost</p>
2	According to the law of diminishing utility.	<p>A. Utility is at a maximum with the first unit</p> <p>B. Increasing units of consumption increase the marginal utility</p> <p>C. Marginal product will fall as more units are consumed</p> <p>D. Total utility will rise at a falling rate as more units are consumed</p>
3	In a recession, GDP.	<p>A. Grows negatively</p> <p>B. Grows by 0%</p> <p>C. Grows slowly</p> <p>D. Grows rapidly</p>
4	If there is a price ceiling there will be	<p>A. Shortages</p> <p>B. Surpluses</p> <p>C. Equilibrium</p> <p>D. None of these</p>
5	Free trade is based on the principle of	<p>A. Comparative advantage</p> <p>B. Comparative scale</p> <p>C. Economics of advantage</p> <p>D. Production possibility advantage</p>
6	If the price elasticity of demand for a product in market A is -0.2 and in market B is -3 a price discriminator will charge.	<p>A. The higher price in market A</p> <p>B. The higher price in market B</p> <p>C. The same price in both markets</p> <p>D. There are many sellers</p>
7	World trade has been increasing due to.	<p>A. Increased tariffs</p> <p>B. Increased legal barriers</p> <p>C. Increased embargoes</p> <p>D. Reduced protectionism</p>
8	The resources in the economy do not include.	<p>A. Demand</p> <p>B. Land</p> <p>C. Labor</p> <p>D. Capital</p>
9	A higher GDP per capita may not mean that the quality of life has really improved because.	<p>A. It measures wealth not income</p> <p>B. It measures Gross Domestic product</p> <p>C. It does not measure the quality of the items produced</p> <p>D. it is only measured every five years</p>
10	A cut in the income tax rate designed to encourage household consumption is an example of.	<p>A. Expansionary demand side policy</p> <p>B. Contractionary demand side policy</p> <p>C. Expansionary supply side policy</p> <p>D. Contractionary supply side policy</p>
11	Barriers to entry do not include	<p>A. Patents</p> <p>B. Internal economics of scale</p> <p>C. Mobility of resources</p> <p>D. High investment costs</p>
12	In marketing "USP " Stand for	<p>A. Unique selling proposition</p> <p>B. Underlying sales pitch</p> <p>C. Unit sales point</p> <p>D. Under sales procedure</p>
13	Which of the following is necessary for a natural monopoly.	<p>A. Economies of scale</p> <p>B. A high proportion of the total cost is the cost of capital goods</p> <p>C. The market is very small</p> <p>D. All of the above</p>
		A. Aid

14	Which of the following is not a way of helping developing economics.	B. Loans C. Protectionism of developed markets D. Training and education programmes
15	A depreciation of currency occur when	A. The value of the currency falls B. The value of the currency increases C. Inflation falls D. The balance of payments improves
16	Laboratory experiments cannot be performed in economics because.	A. Of resource scarcity B. Economics is a natural science C. Of the difficulty of distinguishing between normative and positive statements. D. Economics is a social science
17	Supply is likely to be more price elastic.	A. In the short run rather than the long run B. If factors of production are relatively immobile between industries. C. If there are very few producers D. If it is easy to expand output
18	If the price in a market is fixed by the government above equilibrium.	A. There is excess equilibrium B. There is excess supply C. There is excess demand D. There is equilibrium
19	If marginal cost is positive and falling.	A. Total cost is falling B. Total cost is increasing at a falling rate C. Total cost is falling at a falling rate D. Total cost is increasing at an increasing rate.
20	Why does it make sense in assume that people are rational, if you want to predict their behavior.	A. People are not guided by emotions when making decisions B. People who act in the way that best gets them what they want will tend to repeat that behavior, and will tend to learn from mistakes that they do make C. People never make mistakes, and tend to make the correct choices all of the time D. People always logically figure out what to do.