

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	The index used most often to measure inflation is the	A. Consumer price index B. Wholesale price index C. Student price index D. Producer price index
2	In the short term a firm will produce provided the revenue	A. Covers fixed costs B. Covers variable costs C. Covers total costs D. Covers revenue
3	If there is a price celling there will be	A. Shortages B. Surpluses C. Equilibrium D. None of these
4	The profit per scale is a measure of.	A. Profit B. Profitability C. Feasibility D. Realism
5	Supply side policies are most appropriate to cure.	A. Involuntary unemployment B. Cyclical unemployment C. Voluntary unemployment D. A fall in aggregate demand
6	The economists who emphasized wage flexibility as a solution for unemployment were.	A. Monetarists B. New keynesians C. Classical economists D. Keynesians
7	The resources in an economy are	A. Constantly increasing B. Fixed at any moment C. Constant decreasing D. Able to be transferred easily between industries
8	A reduction in the costs of production will	A. Lead to a movement along the supply curve B. Shift the demand curve C. Shift the supply curve D. Lead to an extension of supply
9	Profit is measured by	A. Revenue - Fixed costs B. Fixed cost + revenue C. Revenue - sales D. Revenues - total costs
10	A welfare less occurs in monopoly where	A. The price in greater than the marginal cost B. The price is greater than the marginal benefit C. The price is greater than the average revenue D. Has the right to investigate monopolies and will assess each one on its own merits
11	When referring to economic growth we normally refer to.	A. Growth in actual real per capita output B. Growth in potential real per capita output C. Growth in actual nominal per capita output D. Growth in potential real per capita output
12	Labour productivity measures.	A. The output per worker B. The output per machine C. Total output D. Marginal output
13	A study of how increase in the minimum wage rate will effect the national unemployment rate is an example of.	A. Descriptive economics B. Normative economics C. Macro economics D. Micro economics

14	Which of the following is a possible government objective as opposed to a policy.	<p>A. Lower interest rates B. Lower taxation rates C. Lower government spending D. Lower inflation</p>
15	Which of the following is not a supply side measure.	<p>A. Increased training B. Providing more information C. Helping individuals to move location to find work D. Increasing spending on existing industries.</p>
16	Economists use the term marginal utility to mean.	<p>A. Additional satisfaction gained divided by additional cost of the last unit. B. Additional satisfaction gained by the consumption of one more unit of a good C. Total satisfaction gained when consuming a given number of units. D. The process of comparing marginal units of all goods which could be purchased</p>
17	According to the quantity theory of money an increase in the money supply is most likely to lead to inflation if	<p>A. The velocity of circulation decreases B. The number of transactions decreases C. There is deflation D. The velocity of circulation and the number of transactions is constant</p>
18	A reflationary policy	<p>A. Increases aggregate supply B. Increases aggregate demand C. Decreases the price level D. Increase full employment</p>
19	If the exchange rate is above the equilibrium level.	<p>A. There is excess demand and the exchange rate will fall B. There is excess supply and the exchange rate will fall C. There is excess demand and the exchange rate will rise D. There is excess supply and the exchange rate will rise</p>
20	In perfect price discrimination	<p>A. Consumer surplus is maximized B. Producer surplus is zero C. Community surplus is maximized D. Consumer surplus is zero</p>