

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Investment depend mainly on.	A. Past levels of income B. Future expected profits C. Present national income levels D. Historic data
2	An increase in productivity should.	A. Lead to a contraction of supply B. Lead to an expansion of supply C. Lead to a shift in supply outwards D. Lead to higher equilibrium and lower equilibrium quantity.
3	In a recession	A. Unemployment is likely to be low B. prices are likely to increase C. Growth is negative D. Growth is slow
4	If demand is price inelastic.	A. An increase in price must raise profits B. An increase in price decreases revenue C. An increase in price increase revenue D. A decrease in price reduces sales.
5	An outward shift in the marginal efficacy of capital should.	A. Decrease consumption B. Increase aggregate demand C. Reduce aggregate supply D. Slow economic growth
6	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.
7	The goal of a pure market economy is to best meet the desires of.	A. Consumers B. Companies C. Workers D. The government
8	Human wants are	A. Always fixed B. Limited C. Unlimited D. Likely to decrease over time
9	In perfect price discrimination	A. Consumer surplus is maximized B. Produce surplus is zero C. Community surplus is maximized D. Consumer surplus is zero
10	Which of the following best defines price discrimination.	A. Charging different prices on the basis of race B. Charging different prices for goods with different costs of production C. Charging different prices based on cost of service differences. D. Selling a certain product of given quality and cost per unit at different prices to different buyers
11	In the long term a firm will produce provident the revenue covers.	A. Fixed costs B. Variable cost C. Total costs D. Revenue
12	Rapid increases in the price level during periods of recession or high unemployment are known as.	A. Slump B. Stagnation C. Stagflation D. Inflation
13	A mixed economy	A. Has supply but not demand B. Has demand but not supply C. Has supply and demand

		D. Has market forces and government intervention
14	In a recession a government.	A. Is likely to want to increase demand in the economy B. Is likely to want to decrease demand in the economy C. Is likely to want to stabilize demand in the economy D. Is likely to want to increase supply in the economy
15	In a command economy	A. The price mechanism acts as an incentive B. Resources are allocated by market forces C. Individual firms make decisions for themselves about what to produce and how to produce it. D. The public sector is large
16	The agricultural price support program is an example of.	A. A price ceiling B. A price floor C. Equilibrium pricing D. None of these
17	Supply side policies are most appropriate to cure.	A. Involuntary unemployment B. Cyclical unemployment C. Voluntary unemployment D. A fall in aggregate demand
18	Friend man's theory of consumption focuses on	A. Past income B. Current income C. Disposable income D. Permanent income
19	An increase in the price of a complement or produce.A would.	A. Shift demand for product a out wants B. Shift demand for product A inwards C. shift supply for product A out wards D. Shift supply for product A inwards
20	A contraction in supply occurs when	A. Demand shifts out wards B. The supply curve shifts inwards C. The quantity supplied falls when the price falls D. The supply curve shifts outwards