

PPSC Economics Topic 10 Public Finance

Sr	Questions	Answers Choice
1	An indifference curve gives	<p>A. the actual combination of goods that consumer chooses</p> <p>B. the minimum choice of the consumer</p> <p>C. the highest level of satisfaction</p> <p>D. None of these</p>
2	Similar to import tariffs, import quotas tend to result in.	<p>A. Higher prices and reduced imports</p> <p>B. Increaseses government revenue</p> <p>C. Increased consumer surplus</p> <p>D. Decrease producer surplus</p>
3	Expansion in money supply stems from.	<p>A. Increasing the cost of bank credit</p> <p>B. Reducing availability of bank credit</p> <p>C. Reducing the financial cost of bank credit</p> <p>D. None of above</p>
4	A decrease in lump sum taxes is an examples of.	<p>A. Contractionary fiscal policy</p> <p>B. Expansionary fiscal policy</p> <p>C. A change in induced taxes</p> <p>D. A and c</p>
5	In a pure market economy which of the following is a function of the price. i - provide information to sellers and buyers ii- Provide incentives to sellers and buyers	<p>A. I only</p> <p>B. ii Only</p> <p>C. both i and ii</p> <p>D. Neither i nor ii</p>
6	The "balance trade" is a record of.	<p>A. Exports and imports of financial assets</p> <p>B. The current account plus capital account</p> <p>C. The export of goods and services.</p> <p>D. the value of merchandise exports minus imports</p>
7	The fundamental economics problem faced by all societies is	<p>A. Un employment</p> <p>B. In equality</p> <p>C. Poverty</p> <p>D. Scarcity</p>
8	The overall Budget Deficit is financed from	<p>A. External borrowing</p> <p>B. Non bank borrowing domestically</p> <p>C. Bank borrowing plus the above two at a and b</p> <p>D. None of the above</p>
9	If the coefficient of income elasticity is negative.	<p>A. Inferior good</p> <p>B. Normal good</p> <p>C. Luxury good</p> <p>D. All of these</p>
10	In order to maximize profits a monopoly company will produce that quantity at which the	<p>A. A marginal revenue equals average total cost</p> <p>B. Price equals marginal revenue</p> <p>C. Marginal revue equals marginal cost</p> <p>D. Total revenue equals total cost</p>
11	With no government and foreign trade sectors savings always equals.	<p>A. Intended investment</p> <p>B. Realized investment</p> <p>C. Both a and b</p> <p>D. None of these</p>
12	In the home country government grants a subsidy of a domestically produced good domestic producers tend to.	<p>A. Capture the entire subsidy in the form of higher profits</p> <p>B. Increase their level of production</p> <p>C. Reduce wages paid to domestic workers</p> <p>D. Consider the subsidy as an increase in production cost</p>
13	The Hocksher Ohlin model rules out the classical model's basis for trade by assuming that.	<p>A. Factor endowments</p> <p>B. Factor intensities</p>

_____ is identical between countries.

C. Technology
D. Opportunity costs

14 In a "Lorenz curve diagram absolute equality in income distribution would appear as.

- A. A curved line well bowed out from the diagonal
B. A curved line close to the diagonal
C. A right angled line
D. A diagonal line

15 According to the crowding out effect, a there is a government deficit, the real interest rate will. _____ and investment will _____

- A. rise ; rise
B. fall ; rise
C. rise ; fall
D. fall ; fall

16 the theory of overlapping demands predicts that trade in manufactured goods is unimportant by countries with very different .

- A. Tastes and preferences.
B. Expectations of future interest rate levels
C. Per capita income levels
D. Labor productivities.

17 A stable equilibrium requires that the marginal propensity to consume is.

- A. Less than zero
B. Zero
C. One
D. None of these

18 The agricultural price support program is an example of.

- A. A price ceiling
B. A price floor
C. Equilibrium pricing
D. None of these

19 _____ represents the difference between what consumers have to pay for a product and what they are willing and able to pay.

- A. Producer surplus
B. Deadweight surplus
C. Government surplus
D. Consumer surplus

20 Quotas are government imposed limits on the _____ of goods trade between countries.

- A. Prices
B. Quantity
C. Revenue
D. Costs