

PPSC Economics Topic 10 Public Finance

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

	_____ 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