

## PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	Find the revenue the government collects as a result of the tax	A. Rs.10 million B. Rs.40 million C. Rs.16 million D. <b>Rs.30 million</b>
2	If GNP = 1,000 billion and the money supply is 330 billion , then the velocity of money is.	A. A value less than 1.4 B. 3.33 C. 1.48 D. <b>3.03</b>
3	If the Nominal GNP of an economy rose from Rs. 5000 to 5500 between 1985 and 1986 while the price index rose from 100 to 110 during the same period real GNP	A. Fell by 10% from 1985 to 1986 B. Rose by 10% from 1985 to 1986 C. Remained constant from 1985 to 1986 D. Fell by 1% from 1985 to 1986
4	According to the efficiency wage model during a recession firms will not reduce real wages because.	A. Unions would go on strike reducing profitability B. <b>This would reduce worker effort and productivity.</b> C. The equilibrium real wage has increased D. Legally, they can't
5	An expenditure increasing policy would consist of an increase in	A. Import tariffs B. Import quotas C. Governmental taxes D. <b>The money supply</b>
6	The philippic curve is the relation between inflation and unemployment that hold for a given natural rate of unemployment. and a	A. Given rate of inflation B. <b>Given expected rate on inflation</b> C. Given level of unemployment D. Given expected level of unemployment
7	Company X sells Rs.75 million dollars of 9.5% first mortgage bonds at par The company's marginal tax rate to 30% The after tax cost of debt is.	A. 2.85% B. 3.175 C. <b>6.68%</b> D. 7.55
8	A rise in the exchange rate value of the rupee will most likely cause.	A. A dollar to be worth less in terms of other currencies. B. Imports to decrease C. Exports to increase D. <b>The balance of payments curve to shift to the left</b>
9	Which of the following is a NOT component of M-2.	A. Small time deposited B. Money market mutual funds C. <b>Stocks</b> D. Checkable deposits
10	What did economist Adam Smith identity as the "invisible hand" that directs the decision making of firms and households in a market economy.	A. Government B. Product demand C. <b>Self interest</b> D. International trade
11	At point of satiety marginal utilityis.	A. Positive B. Negative C. Maximum D. <b>Zero</b>
12	Find the change in revenue to the industry due to the taxes.	A. <b>Rs. 40 billion</b> B. Rs. 34 million C. Rs.25 million D. Rs.36 Million.
13	When equilibrium in the money and goods markets occurs at a rate of interest below the BP schedule internal and external equilibrium for the United States can be achieved by.	A. Expanding the U.S. money supply B. <b>Increasing government spending</b> C. Increasing taxes D. Lowering interest rates in the united states.
		A. <b>All else equal</b> B. Everything affects everything else.

14	Economists use the phrase <i>ceteris paribus</i> to express the assumption.	C. Scarcity is a fact of life D. There is no such thing as a free lunch
15	In a simple Keynesian world assume the economy is operating at a full employment noninflationary level worsening world conditions necessitate additional government spending of Rs.50 billion. What should be the direction of change in taxes and magnitude of change to maintain stable price and full employment equilibrium.	A. Increase by Rs.50 billion B. Increase by more than Rs. 50 billion C. Increase by less than Rs.50 billion. D. Decrease by more than Rs.50 billion.
16	A group of modern economists who believe that price and wage rigidities do not provide the only rationale for macroeconomic policy activism are called.	A. New Keynesians B. Keynesians C. Monetarists D. The Classical school
17	Fractional unemployment arises when	A. Unskilled or low skilled workers find it difficult to obtain desirable long term jobs B. Labor must be reallocated from industries that are shrinking to areas that are growing. C. Workers must search for suitable jobs and firms must search for suitable workers. D. Output and employment are below full employment levels
18	Suppose your company is in equilibrium with its capital stock at its desired level. A permanent increase in the depreciation rate now has what effect on your desired capital stock. i	A. Raises it because the future marginal productivity of capital is higher B. Lowers it because the future marginal productivity of capital is lower C. Raises it because the user cost of capital is now lower D. Lowers it because the user cost of capital is now higher
19	Friedman and Phelps suggested that there should not be a stable relationship between inflation and unemployment, but there should be a stable relationship between	A. Anticipated inflation and frictional unemployment B. Anticipated inflation and cyclical unemployment C. Unanticipated inflation and frictional unemployment. D. Unanticipated inflation and cyclical unemployment
20	What adjusts to restore general equilibrium after a shock to the economy.	A. The LM curve B. The IS curve C. The FE line D. The labor supply curve