

## PPSC Economics Chapter 10 Most Frequently Asked Economics MCQS

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Sr	Questions	Answers Choice
1	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
2	A specification of a maximum amount of a foreign produced good that will be allowed to enter the country over a given time period is referred to as a	A. Domestic subsidy B. Export subsidy C. Import quota D. Export quota
3	Suppose that the domestic government allows a specific number of goods to be imported each year but it does not spicily from where the product is shipped or who is permitted to import such a trade barrier is known as	A. an import tariff B. A tariff rate quota C. A selective quota D. A global quota
4	In the balcne of payments, travel and tourism are included int he category of.	A. Unilateral transfers     B. Capital account     C. Merchandise account     D. Services account
5	If a country an imposes an import tariff its welfare can improve if	A. The country is a small country's than a larger country.  B. Its terms of trade improve enough C. The tariff enhances the welfare of its trading partners  D. Its government's tax revenue increase because of the tariff
6	If a small country imposes a tariff on an imported good its terms of trade will	A. Improve B. Worsen C. Not change D. any of the above
7	A tariff can raise a country's welfare.	A. Sometimes B. Never C. Always D. None of these
8	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
9	A tariff that probibits imports ahs only	A. A revenue effect and redisInbution effect B. Revenue effect and protection effect C. Consumption effect and production effect D. Redistribution effect and consumption effect
10	Ad valorem tariffs are collected as	A. Fixed amounts of money per unit traded B. A percentage of the price of the product C. A percentage of the quantity of imports D. All of the above
11	A tax 15 percent per imported item would be an example of a	A. Ad valorem tariff B. specific tariff C. Effective tariff D. Compound tariff
12	A tax of 20 cents per unit of imported cheese would be an example of a	A. Compound tariff     B. Effective traiff     C. Ad valorem tariff     D. Specific tariff
13	According to factor price equalization theorem the factor should oppose free trade	A. Abundant B. Scarce

	policies in any given country.	C. Neither D. Can't tell without more information
14	If tastes are identical between countries than comparative advantage is determined by	A. Supply conditions only     B. Demand conditions only     C. Supply and demand conditions     D. Can't tell without more information.
15	Industrial polices intended to foster comparative advantage for domestic industries could result in the implementation of.	A. Research and development subsidies B. Loan guarantees C. Low interest rate loans D. All of the above
16	The Hocksher Ohlin model rules out the classical model's basis for trade by assuming that is identical between countries.	A. Factor endowments B. Factor intensities C. Technology D. Opportunity costs
17	That the division of labor is limited by the size of the market best applies to which explanation of trade.	A. Factor endowment theory B. Product life cycle theory C. Economies of scale theory D. Overlapping demand theory
18	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.
19	Which trade theory contents that a country that initially develops and exports a new product may eventually become an importer of if ,a nd may no longer manufacture the product.	A. Theory of factor endowments B. Theory of overlapping demands C. Economies of scale theory D. Product life cycle theory.
20	John Stuart Mill was the founder of the	A. Theory of reciprocal demand B. Theory of absolute advantage C. Theory of comparative advantage D. Theory of mercantilism