

## PPSC Economics Topic 11 Assess Your Basics

| Sr | Questions                                                                                                                                                             | Answers Choice                                                                                                                                                                               |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | An allocation is Pareto efficient if no reallocation of resources would make some people _____ without making others                                                  | A. Worse off, worse off<br>B. better off, better off<br>C. better off, worse off<br>D. equal , unequal                                                                                       |
| 2  | We cannot say whether one allocation of resources is better than another allocation because.                                                                          | A. some people cant count<br>B. Some people may not be permanent residents<br>C. Not all economic activity is legal<br>D. We cant make value judgements to compare different people welfare. |
| 3  | Skilled labour is relatively scarce because.                                                                                                                          | A. There are too few teachers<br>B. Too few student places in higher education<br>C. It is costly to acquire human capital<br>D. Teachers salaries are too low                               |
| 4  | A competitive firm produces a level of output at which.                                                                                                               | A. Price is greater than marginal cost<br>B. Price equals marginal cost<br>C. Price is less than marginal cost<br>D. None of the above                                                       |
| 5  | The value of an asset depends upon                                                                                                                                    | A. Its scrap value<br>B. Its depreciation<br>C. The present value of the failure stream of income it can earn.<br>D. the cost of loans                                                       |
| 6  | A rise in the real exchange rate will ___ the competitiveness of the domestic economy.                                                                                | A. Increase<br>B. reduce<br>C. do nothing do<br>D. all of these                                                                                                                              |
| 7  | In the short run, the supply of capital is _____ and in the long run iwll depend on.                                                                                  | A. Variable technology<br>B. Fixed, expectations<br>C. Fixed, rental rate of capital<br>D. Variable, interest rates.                                                                         |
| 8  | Nominal GNP measures income                                                                                                                                           | A. At the present time<br>B. Corrected for tax changes<br>C. Corrected for changes in interest rates<br>D. At current prices                                                                 |
| 9  | If the consumption of a good by one person does not reduce the quantity available by other and nobody can be easily excluded from consumption, we are referring to a. | A. Private good<br>B. Merit good<br>C. Public good<br>D. Abundant good                                                                                                                       |
| 10 | If banks and the private sector decide to hold less cash the money multiplier will be.                                                                                | A. Unchanged<br>B. Larger<br>C. Smaller<br>D. unstable                                                                                                                                       |
| 11 | Economics is the study of                                                                                                                                             | A. Production technology<br>B. Consumption decisions<br>C. How society decides what how and for whom to produce<br>D. The best way to run society                                            |
| 12 | In a fixed exchange rate regime, the central bank will intervene by ___ pounds to _____ the exchange rate.                                                            | A. Selling, increase<br>B. buying , increase<br>C. selling, reduce<br>D. both b and c                                                                                                        |
| 13 | When capital mobility is perfect, interest rate differentials will tend to be offset by                                                                               | A. Price differences.<br>B. Balance of payments differences.<br>C. Current account differences.<br>D. Expected exchange rate changes                                                         |
| 14 | Positive cross elasticities suggest that goods are _____ and negative cross elasticities that goods are.                                                              | A. Substitutes, inferior<br>B. Normal, complements<br>C. Substitutes, complements<br>D. Inferior, complements                                                                                |

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|    |                                                                                                                            | D. Normal , interior                                                                                                               |
| 15 | The main cause of different relative costs between countries are.                                                          | A. Relative factors competition<br>B. Relative factor mobility<br>C. Relative factor substitution<br>D. Relative factor endowments |
| 16 | If the government increase spending and raises taxes by just enough to finance the increase it will.                       | A. Leave output unchanged<br>B. Increase output<br>C. Reduce output<br>D. Increase the MPC                                         |
| 17 | All of the following are type of monetary policy except                                                                    | A. A nominal money stock target<br>B. A balances budget<br>C. An inflation target<br>D. The pursuit of a target real interest rate |
| 18 | If some body is prepared to work at the going wage rate but cannot find work than they are victims of.                     | A. Voluntary unemployment<br>B. Classical unemployment<br>C. Frictional unemployment.<br>D. All of the above                       |
| 19 | Taxes create a wedge between the sales price and purchase price that prevents the price system equaling _____ and          | A. Marginal costs, marginal benefits<br>B. Demand, supply<br>C. Marginal cost, marginal revenue<br>D. Marginal cost, average cost  |
| 20 | In the absence of international capital controls, central banks set _____ to provide the correct incentive for speculators | A. Money supply targets<br>B. Income policy<br>C. Interest rates<br>D. Inflation targets                                           |