

## PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	The business cycle describes fluctuations in output around the _____.	A. Trend path of output B. Boom C. Recession D. Short run fluctuations in output
2	The equilibrium inflation rate is determine by the intersection of _____ and _____.	A. demand, supply B. IS , LM C. AD, AS D. Labour demand, labour supply
3	Under floating exchange rates, expectations of higher interest rates are likely to cause an _____ of the exchange rate.	A. Depreciation B. Appreciation C. fall D. Devaluation
4	In the ERM, each country fixed _____ against each other ERM participant collectively the group. _____ against the rest of the world.	A. A nominal exchange rate, floated B. A real exchange rate, pegged C. a purchasing power parity, pegged D. a real exchange rate, floated
5	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 B. Merit good C. Public good D. Abundant good
6	The short run marginal cost curve cuts the short run total cost curve and short run average variable cost curve.	A. At their lowest points B. When they are declining C. When they are increasing. D. When marginal revenue is zero
7	For perfect competition of work there must be	A. Many buyers and sellers B. A standard product C. Free entry and exit D. All of the above
8	In the UK mergers can be referred to the competition commission of they create a firm with _____ of the market.	A. 15% B. 20% C. 25% D. 30%
9	The allocation of resources is not efficient if	A. The marginal cost of production does not equal society marginal benefit B. The distribution is inequitable C. Economic growth is low D. Unemployment is high
10	Higher export demand _____ output and a higher MPZ _____ output..	A. Reduces, reduces B. Reduces, increases C. Increases, reduces D. increases, increases
11	In a competitive industry each buyer and seller.	A. Is a price taker B. Produce different products C. Believes that can influence price D. Prevents the entry of competitors
12	Holding all factors constant except one and increasing a variable factor is expected to lead to steadily decreasing marginal product of the factor this is an example of.	A. Decreasing returns to scale B. The law of diminishing returns C. Constant returns to scale D. an inefficient production technique
13	The growth rate of economies tend to converge because. _____ is easier when capital per worker is low and because of _____.	A. capital widening, technical innovation B. Capital widening, catch up in technology C. Capital deepening, technical innovation D. Capital deepening, catch up technology.
		A. Tax evasion B. Poor statistics C. The world is not a closed economy

14	When we refer to the hidden economy we mean unrecorded income owing to.	C. The lags between statistical collection and publication . D. Smuggling
15	The abolition of income tax would probably _____ the number of workers in employment and _____ the equilibrium. rate of unemployment.	A. increase ; decrease B. increase ; increase C. reduce ; increase D. reduce ; reduce
16	If your income doubles and the prices of the goods you buy double, then your demand for these goods will likely	A. Increase B. Not change C. Decrease D. Shift
17	Firms are assumed to _____ costs and to _____ profit.	A. Incur , desire B. Pay ; make C. Change ;earn D. Minimize ; maximize
18	The opportunity cost of acquiring education is.	A. Course fees B. Course fees and living expenses C. The earning foregone D. Course fees, living expenses and textbooks
19	In the UK in recent years, union membership has _____ and days of work lost because of strikes has.	A. Grown, declined B. declined, declined C. declined, grown D. grown , grown
20	Real business cycle theory suggests that _____ not important in explaining short term fluctuations around actual output.	A. aggregate supply is B. aggregate demand is C. Potential output is D. Real variables are