

## PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	Injection into the circular flow are _____ and _____	A. Consumption, investment, exports B. Investment exports, transfer payments C. Investment government expenditure, exports. D. Taxes, exports, transfer payments.
2	a demand curve can shift because of changing.	A. Incomes B. Prices of related goods C. Testes D. All of the above
3	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
4	By restricting labour supply a trade union can _____ and _____	A. Increase the wage, increase employment B. Maintain the wage, increase employment C. Increase the wage lower employment D. Maintain the wage, lower employment
5	The primary function of a bank is to.	A. Control the money supply B. Provide notes and coins for trade C. Make a profit D. Provide a cheque clearing system.
6	The AD schedule indicates that _____ inflation is associated with _____ output.	A. higher , lower B. Higher , higher C. Lower , lower D. zero ,zero
7	All of the following are type of monetary policy except	A. A nominal money stock target B. A balances budget C. An inflation target D. The pursuit of a target real interest rate
8	The effect of a tax to offset a negative externality will be to _____ price and _____ quantity.	A. Reduce, reduce B. increase, increase C. Increase , reduce D. reduce, increase
9	Firms are assumed to _____ costs and to _____ profit.	A. Incur , desire B. Pay ; make C. Change ;earn D. Minimize ; maximize
10	Real business cycle theories suggest that _____ to correct departures from the desired growth path.	A. There is a role of fiscal policy B. There is a role for monetary policy C. There is a role for supply side policies D. There is no case for stabilizing output over the business cycle.
11	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
12	A good example of a public good is.	A. Public transport B. National defense C. The national health service D. Rail transport
13	All of the following are types of imperfect competition except	A. Monopolistic competition B. Oligopoly C. Monopoly D. Unfair competition

14	In the event of an increase in the international price of oil that encouraged the central bank to accept lower real interest rates, inflation would most likely.	A. Fall B. Increases C. Remain the same D. Fluctuate
15	The business cycle describes fluctuations in output around the.	A. Trend path of output B. Boom C. Recession D. Short run fluctuations in output
16	The Philips curve shows the trade off between _____ and _____	A. The inflation rate, interest rates B. The inflation rate, the unemployment rate C. interest rates, output D. Output, employment
17	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
18	Government may contribute to inflationary pressure on account of building up large.	A. Numbers of employees B. Welfare plans C. Budget deficits D. Expenditure.
19	A fall in investment demand can result from	A. Higher interest rates B. Lower expected future profits C. More expensive capital goods D. All of the above
20	In a free market	A. Government intervene B. Government plan production C. Government interfere D. Price adjust to reconcile scarcity and desires.