

## PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	When we refer to the hidden economy we mean unrecorded income owing to.	<p>A. Tax evasion</p> <p>B. Poor statistics</p> <p>C. The lags between statistical collection and publication .</p> <p>D. Smuggling</p>
2	By restricting labour supply a trade union can _____ and _____	<p>A. Increase the wage, increase employment</p> <p>B. Maintain the wage, increase employment</p> <p>C. Increase the wage lower employment</p> <p>D. Maintain the wage, lower employment</p>
3	If my neighbor burns garden waste causing my house to fill with smoke this is an example of.	<p>A. A production extremality</p> <p>B. A second best solution</p> <p>C. Transaction costs</p> <p>D. A consumption externality</p>
4	All of the following are parts of the business cycle except.	<p>A. Boom</p> <p>B. slump</p> <p>C. Recovery</p> <p>D. Acceleration</p>
5	LDC's often have a comparative advantage in the production of.	<p>A. Primary products</p> <p>B. Intermediate products</p> <p>C. Manufactured products</p> <p>D. Financial services.</p>
6	The effect of a tax to offset a negative externality will be to _____ price and ____ quantity.	<p>A. Reduce, reduce</p> <p>B. increase, increase</p> <p>C. Increase , reduce</p> <p>D. reduce, increase</p>
7	If demand is _____ then price cuts will _____ spending.	<p>A. Inelastic, increase</p> <p>B. Elastic, increase</p> <p>C. Elastic, decreases</p> <p>D. None of the above</p>
8	A firm that breaks even after all economic costs are paid is earning.	<p>A. Economic profit</p> <p>B. Accounting profit</p> <p>C. Normal profit</p> <p>D. Supernormal profit</p>
9	A competitive equilibrium is Pareto efficient because.	<p>A. Producers are price takers</p> <p>B. Consumers and producer's face the same prices</p> <p>C. Marginal costs and benefits are equal</p> <p>D. All of the above</p>
10	All of the following are types of imperfect competition except	<p>A. Monopolistic competition</p> <p>B. Oligopoly</p> <p>C. Monopoly</p> <p>D. Unfair competition</p>
11	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.	<p>A. Private good</p> <p>B. Merit good</p> <p>C. Public good</p> <p>D. Abundant good</p>
12	The retail price index is used to.	<p>A. Construct price lists</p> <p>B. Compare shop prices</p> <p>C. Measure changes in the cost of living</p> <p>D. None of the above</p>
13	If as result of householder wish to save more there is a change in equilibrium income and no change in equilibrium saving this as an example of.	<p>A. Market imperfection</p> <p>B. The law of diminishing returns</p> <p>C. The paradox of thrift</p> <p>D. Market failure</p>
		<p>A. Prices, wages, output and employment.</p>

14	The quantity theory of money says that changes in _____ lead to equivalent changes in _____ but have no effect on.	<p>B. Output, prices, employment</p> <p>C. Nominal money, the price level output and employment.</p> <p>D. Nominal money output prices</p>
15	Firms are assumed to _____ costs and to _____ profit.	<p>A. Incur ; desire</p> <p>B. Pay ; make</p> <p>C. Change ;earn</p> <p>D. Minimize ; maximize</p>
16	Extremality's arise because there is a divergence between _____ and _____	<p>A. Private costs, private benefits</p> <p>B. Private costs, social costs of benefits</p> <p>C. Social cost, social benefit</p> <p>D. Insiders, outsiders</p>
17	Micro economics is concerned with	<p>A. The economy as a whole</p> <p>B. The electronics industry</p> <p>C. The study of individual economic behavior</p> <p>D. the interactions within the entire economy</p>
18	Monetarists believe that a reduction in _____ can be achieved by reducing.	<p>A. Unemployment, prices</p> <p>B. Inflation, wages</p> <p>C. Unemployment, wages</p> <p>D. Inflation, the quantity of nominal money</p>
19	If a long average cost rises, output rises from left to right this is an example of.	<p>A. Increasing returns to scale</p> <p>B. Decreasing returns to scale.</p> <p>C. Constant returns to scale</p> <p>D. the minimum efficient scale</p>
20	The growth rate of economics tend to converge because _____ is easier when capital per worker is low and because of _____	<p>A. capital widening, technical innovation</p> <p>B. Capital widening, catch up in technology</p> <p>C. Capital deepening, technical innovation</p> <p>D. Capital deepening, catch up technology.</p>