

PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	An upward shift in marginal cost _____ output and an upward shift in _____ marginal revenue _____ output.	A. Reduce , reduce B. Reduce , increase C. Increased, increased D. Increases, reduces
2	When a market is contestable , incumbent firms must. _____ to avoid the entry of new competitors.	A. Behave like competitive firms B. Agree to act together C. Differentiate their products D. Practice price discrimination
3	If a long average cost rises, output rises from left to right this is an example of.	A. Increasing returns to scale B. Decreasing returns to scale C. Constant returns to scale D. the minimum efficient scale
4	The multiplier is calculated as.	A. $1/(1-MPC)$ B. $1/MPS$ C. $1/MPC$ D. a or b
5	When the level of income _____ there will be a tendency for the trade balance to improve as imports.	A. Increases, increase B. falls, fall C. Increase, fall D. fall , increase
6	the Maastricht criteria for entry to the EMU are that applicants should have	A. Low inflation B. Low interest rates C. Stable nominal exchange rate D. All of the above
7	Monetarists believe that a reduction in _____ can be achieved by reducing.	A. Unemployment, prices B. Inflation, wages C. Unemployment, wages D. Inflation, the quantity of nominal money
8	When investment is assumed to be autonomous the slope of the AD schedule is determined by the.	A. Marginal propensity to invest. B. disposable income C. Marginal propensity to consume D. Average propensity to consume E.
9	The equilibrium price clears the market it is the price at which.	A. Everything is sold B. Buyers spend all their money C. Excess demand is zero D. c and d
10	Short run equilibrium output means that aggregate demand = actual output	A. is less than B. equals C. is greater than D. fluctuates around
11	A monopoly may be self perpetuating because profits may be used for	A. research B. Cost saving C. Technical advance D. All of the above
12	The growth rate of economies tends 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.
13	Polices to reduce unemployment by reducing union power tax cut reduction is unemployment benefit and investment subsidies are examples of.	A. Keynesian policies B. Supply side policies C. Monetarist policies D. Classical policies
		A. Short run opportunity costs, profit B. Short run average variable costs, profit

14 Short run average total costs are equal to the sum of _____ and _____
C. short run average variable costs, profit.
D. Short run average variable costs short run average fixed costs

15 The opportunity cost of a student is.
A. Course fees and rent
B. A loan from the bank
C. What the student could have earned in the best job available by not studying.
D. What the student will earn after graduation.

16 In the circular flow we would expect leakages to _____ injections.
A. equal
B. be less than
C. by greater than
D. Be less or greater than

17 Leakages from the circular flow are____ and _____.
A. Investment savings, government expenditure
B. Saving , taxes net of subsidies, imports
C. Consumption, investment , government expenditure.
D. Consumption, taxes, imports

18 Fiscal policy is weak under floating exchange rates as fiscal expansion.
A. Crowds out imports
B. Crowds out public consumption
C. Crowds out exports
D. Reduces the budget deficit

19 The level of the equilibrium exchange rate offsets international difference in.
A. Comparative advantage
B. Absolute advantage
C. Opportunity cost
D. Relative costs

20 The single European Act committed_ governments to a ___ in 1992
A. European union, single market
B. Western European, single currency area
C. European union, single currency area
D. Western European, single market
