

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	A welfare loss occurs in monopoly where	<p>A. The price is greater than the marginal cost</p> <p>B. The price is greater than the marginal benefit</p> <p>C. The price is greater than the average revenue</p> <p>D. Has the right to investigate monopolies and will assess each one on its own merits</p>
2	The first level of output at which the long run average costs are minimized is called.	<p>A. The minimum Efficient Scale</p> <p>B. The minimum External scale</p> <p>C. The Maximum External scale</p> <p>D. The maximum Effective scale.</p>
3	If economics when we say that people are rational, we mean that they.	<p>A. Never make mistakes</p> <p>B. Try to get what they desire as best they can, given the limitations they face.</p> <p>C. Logically figure out what to do</p> <p>D. Behave in a random unpredictable manner</p>
4	Supply is likely to be more price elastic.	<p>A. In the short run rather than the long run</p> <p>B. If factors of production are relatively immobile between industries.</p> <p>C. If there are very few producers</p> <p>D. If it is easy to expand output</p>
5	Increase in employment benefits and less incentive to work would.	<p>A. Shift aggregate supply to the right</p> <p>B. Shift aggregate supply to the left</p> <p>C. Shift aggregate demand to the right</p> <p>D. Shift aggregate demand to the left</p>
6	Which of the following is not involved with fiscal policy.	<p>A. Income tax</p> <p>B. National insurance</p> <p>C. VAT</p> <p>D. Interest rates</p>
7	If one car company takes over another car company this is an example of which type of integration.	<p>A. Vertical</p> <p>B. Horizontal</p> <p>C. Conglomerate</p> <p>D. Literal</p>
8	Effective branding will tend to make	<p>A. Demand more price inelastic</p> <p>B. Supply more price inelastic</p> <p>C. Demand more income elastic</p> <p>D. Supply more income elastic</p>
9	Frederic Menger's theory of consumption focuses on	<p>A. Past income</p> <p>B. Current income</p> <p>C. Disposable income</p> <p>D. Permanent income</p>
10	What does ceteris paribus mean.	<p>A. "Scientific method"</p> <p>B. "Rational thinking"</p> <p>C. "Other things remaining the same"</p> <p>D. "There is no such thing as a free lunch"</p>
11	A depreciation of currency occurs when	<p>A. The value of the currency falls</p> <p>B. The value of the currency increases</p> <p>C. Inflation falls</p> <p>D. The balance of payments improves</p>
12	The goal of a pure market economy is to best meet the desires of.	<p>A. Consumers</p> <p>B. Companies</p> <p>C. Workers</p> <p>D. The government</p>

13	Which of the following is a normative statement in economics.	<p>A. More spending by the government reduces poverty</p> <p>B. Higher taxes lead to less desire to work</p> <p>C. the UK Economy is growing fast relative to other European Union members</p> <p>D. The Government should concentrate on reducing unemployment</p>
14	According to Keynes, the level of employment is determined by	<p>A. Interest rates</p> <p>B. The level of prices</p> <p>C. The level of aggregate supply in the economy</p> <p>D. The level of aggregate demand for goods and services.</p>
15	A profit maximizing firm will employ labour up to the point where.	<p>A. Marginal revenue = Marginal product</p> <p>B. Marginal cost = Marginal product</p> <p>C. Marginal revenue product = Average cost of labour</p> <p>D. Marginal revenue product = Marginal cost of labour</p>
16	In a Boom	<p>A. Surpluses are likely to occur</p> <p>B. Prices are likely to fall</p> <p>C. supply will increase immediately to match demand</p> <p>D. Shortages may occur</p>
17	The resources in an economy are	<p>A. Constantly increasing</p> <p>B. Fixed at any moment</p> <p>C. Constant decreasing</p> <p>D. Able to be transferred easily between industries</p>
18	Unfair competition does not include	<p>A. Price cutting</p> <p>B. predatory pricing</p> <p>C. Cartels</p> <p>D. Price fixing</p>
19	Increased levels of spending on imports	<p>A. shift aggregate supply to the right</p> <p>B. Shift aggregate supply to the left</p> <p>C. Shift aggregate demand to the right</p> <p>D. Shift aggregate demand to the left</p>
20	Investment is an out stable element of aggregate demand because is depends heavily on.	<p>A. Government policy</p> <p>B. Expectations</p> <p>C. National income</p> <p>D. Historic trends</p>