

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	The price mechanism cannot.	A. Act as a signal B. Act as an incentive C. Act as a rationing device D. Shift the demand curve
2	Developing economics usually have	A. Low GDP per capita B. Low CPI C. Large balance of payments surpluses D. Large budget surpluses
3	The economists who emphasized wage flexibility as a solution for unemployment were.	A. Monetarists B. New keynesians C. Classical economists D. Keynesians
4	To prevent the external value of the currency from falling the government might	A. Reduce interest rates B. Sell its own currency C. Buy its own currency with foreign reserves D. Increase its own spending
5	In a recession a government.	A. Is likely to want to increase demand in the economy B. Is likely to want to decrease demand in the economy C. Is likely to want to stabilize demand in the economy D. Is likely to want to increase supply in the economy
6	Nationalization occurs when	A. The government bans a product B. The government takes control of an industry C. the government taxes a product to a raise the price. D. The government taxes a product to a raise its price.
7	Investment depend mainly on.	A. Past levels of income B. Future expected profits C. Present national income levels D. Historic data
8	In a perfectly competitive labour market firms are wage takers and the marginal cost of labour equals.	A. the average cost of labour B. The marginal product C. The marginal revenue D. The total cost of labour
9	Horizontal integration may lead to internal economics of scale. Which of the following is not a type of internal economy of scale.	A. Purchasing B. Technical C. Financial D. Safety
10	If marginal revenue equals marginal cost	A. No profit is being made B. total revenue equals total cost C. Profits are maximized D. Producing another unit would increase profits
11	A welfare less occurs in monopoly where	A. The price is greater than the marginal cost B. The price is greater than the marginal benefit C. The price is greater than the average revenue D. Has the right to investigate monopolies and will assess each one on its own merits
12	In the long run in perfect competition	A. Price = average = cost = marginal cost B. Price = average cost = total cost C. The price covers fixed cost D. total revenue = total variable cost

13	If the "Regulated -market" price is below the equilibrium price.	<p>A. The quantity demanded will be greater than quantity supplied</p> <p>B. Demand will be less than supply</p> <p>C. Quantity demanded will be less than quantity supplied</p> <p>D. Quantity demanded will equal quantity supplied</p>
14	Profit making is basic motive in.	<p>A. Socialism</p> <p>B. Mixed economy</p> <p>C. Communism</p> <p>D. ^{Capitalism}</p>
15	Companies in the private sector are owned by	<p>A. The government</p> <p>B. Shareholders</p> <p>C. Employees</p> <p>D. The community</p>
16	If demand is price inelastic.	<p>A. An increase in price must raise profits</p> <p>B. An increase in price decreases revenue</p> <p>C. An increase in price increase revenue</p> <p>D. A decrease in price reduces sales.</p>
17	A public good	<p>A. Is provided by the government</p> <p>B. Is free</p> <p>C. Has the properties of being non excludable and non diminishable</p> <p>D. Has external costs</p>
18	Which of the following can the government not use directly to control the economy.	<p>A. Pay rates within the privates sector</p> <p>B. Pay rates in the public sector</p> <p>C. Investment in education</p> <p>D. Benefits available for the un employed and sick</p>
19	According to the quantity theory of money an increase in the money supply is most likely to lead ot inflation if	<p>A. The velocity of circulation decreases</p> <p>B. The number of transactions decreases</p> <p>C. There is deflation</p> <p>D. The velocity of circulation and the number of transactions is constant</p>
20	Profit is measured by	<p>A. Revenue - Fixed costs</p> <p>B. Fixed cost + revenue</p> <p>C. Revenue - sales</p> <p>D. Revenues - total costs</p>