

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	The Philips curve shows the relationship between inflation and what?	A. The balance of trade B. The rate of growth in an economy C. The rate of price increases D. Un employment
2	If an economy is productively efficient.	A. Everyone is wealthy B. Resources are unemployed C. More of one product can only be produced if less of another product is produced. D. The distribution of income is equal
3	An increase in consumption at any given level of income is likely to lead to.	A. a fall in savings B. An increase in exports C. A fall in taxation revenue D. A decrease in import spending
4	Free trade is based on the principle of	A. Comparative advantage B. Comparative scale C. Economics of advantage D. Production possibility advantage
5	In perfect competition.	A. the products firm offer are very similar B. Products are heavily differentiated C. A few firms dominate the market D. Consumers have limited information
6	A reflationary policy	A. Increases aggregate supply B. Increases aggregate demand C. Decreases the price level D. Increase full employment
7	The accelerator assumes.	A. The marginal propensity to consume is constant B. The economy is at full employment C. There is a constant relationship between net investment and the rate of change of output D. The multiplier is constant
8	Profit is measured by	A. Revenue - Fixed costs B. Fixed cost + revenue C. Revenue - sales D. Revenues - total costs
9	An injection of funds into a less developed country might set off the	A. Multiplier B. Marginal propensity to save C. Average propensity to consume D. The Laffer effect
10	A shift in supply will have a bigger effect on price than output if demand is.	A. Income elastic B. Income inelastic C. Price elastic D. Price inelastic
11	The first level of output at which the long run average costs are minimized is called.	A. The minimum Efficient Scale B. The minimum External scale C. The Maximum External scale D. The maximum Effective scale.
12	Which of the following is a characteristic of pure monopoly.	A. one seller of the product B. Low barriers to entry C. Close substitute products D. Perfect information
13	Ordinal measurement approach was not presented by	A. Allen B. Hicks C. Edge worth D. Robbins
		A. There is excess demand and teh exchange rate will fall B. There is excess supply and the

14	If the exchange rate is above the equilibrium level.	exchange rate will fall C. There is excess demand and the exchange rate will rise D. There is excess supply and the exchange rate will rise
15	In economics we ofthe say that a particular event will occur "as long as other things stay the same." The conduction that other thing saty the same is also called.	A. Ceteris paribus B. Marginal decision making C. Incentives D. Secondary effects
16	If the price elasticity is -0.3 this means.	A. Demand is upward sloping B. Demand is price elastic C. A price fall would increase revenue D. Demand is price inelastic
17	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
18	Earning from primary products are often unstable because.	A. Demand is price elastic B. Supply is price elastic C. Supply conditions are relatively stable D. Supply conditions are unstable
19	The agricultural price support program is an example of.	A. A price celling B. A price floor C. Equilibrium pricing D. None of these
20	In a less developed country.	A. The infrastructure is likely to be good. B. Real wages are likely to be high C. Unemployment is likely to be low D. The primary sector is likely to be significant