

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Profit making is basic motive in.	A. Socialism B. Mixed economy C. Communism D. <sup>Capitalism</sup>
2	In monopoly in long run equilibrium.	A. The firm is productively effieient B. The firm is allocatively inefficient C. The firm produces where marginal cost is less than marginal revenue D. The firm produces at the sociality optimal level
3	A mixed economy	A. Has supply but not demand B. Has demand but not supply C. Has supply and demant D. Has market forces and government intervention
4	Barriers to entry do not include	A. Patents B. Internal economics of scale C. Mobility of resources D. High investment costs
5	The accelerator theory of investment says that induced investments determined by.	A. The rate of change of national income B. Expectations C. The level of national income D. The level of aggregate demand
6	When internal economics of scale occur	A. Total costs fall B. Marginal costs increase C. Average costs fall D. Revenue falls
7	The natural rate of unemployment is likely to tall if	A. Unemployment benefits increase B. Income tax increases C. More training is available for the unemployed D. Geographical immobility increases
8	An outward shift in the marginal efficacy of capital should.	A. Decrease consumption B. Increase aggregate demand C. Reduce aggregate supply D. Slow economic growth
9	What makes economics scientific.	A. It tests theories against observations and modifies the theories if needed. B. It uses numbers to measure things C. It involves the use of experiments D. It is a description of how thing work
10	Supply is likely to be more price elastic.	A. In the short run rather than the long run B. If factors of production are relatively immobile between industries. C. If there are very few producers D. If it is easy to expand output
11	Market is called father of economics	A. Marshall B. Robbins C. Keynes D. Friedman
12	Inflation.	A. Reduces the cost of living B. Reduces the standard of living C. Reduce the price of products D. Reduces the purchasing power of a price
13	A movement along the supply curve may be caused by	A. A change in technology B. A change in the number of producers C. A shift in demand D. A change in the price of inputs

		D. A change in costs
14	Globalization is made more difficult by	A. The actions of the World Trade Organization B. The removal of protectionist measures C. Exchange rate instability D. More free trade agreements
15	If there is a price ceiling there will be	A. Shortages B. Surpluses C. Equilibrium D. None of these
16	A public good will	A. Be underprovided in the free market B. Be overprovided in the free market C. Not be provided in the free market D. Has no opportunity cost
17	Scarcity means that	A. We cannot have everything that we might want B. We have to make choices between the things we desire. C. There are costs to just about any activity we undertake D. We must give up some thing in order to obtain other things. E. All of the above are correct
18	An economy may operate outside the production possibility frontier if.	A. It is not utilizing its resources fully B. It is being productively efficient C. It is a mixed economy D. It is trading with other economies
19	In monopolistic competition	A. Demand is perfectly elastic B. Products are homogeneous C. Marginal revenue = price D. The marginal revenue is below the demand curve and diverges
20	Investment is an out stable element of aggregate demand because it depends heavily on.	A. Government policy B. Expectations C. National income D. Historic trends