

## PPSC Economics Topic 1 Basic Economics

| Sr | Questions   | Answers Choice  |
|----|---|---|
| 1  | Which kind economics deals with issues such as unemployment inflation, and economic growth.   | A. Macro economics<br>B. Micro economics<br>C. Growth economics<br>D. Political economics   |
| 2  | In monopoly in long run equilibrium.  | A. The firm is productively efficient<br>B. The firm is allocatively inefficient<br>C. The firm produces where marginal cost is less than marginal revenue<br>D. The firm produces at the sociality optimal level |
| 3  | If marginal cost is positive and falling.   | A. Total cost is falling<br>B. Total cost is increasing at a falling rate<br>C. Total cost is falling at a falling rate<br>D. Total cost is increasing at an increasing rate.                                     |
| 4  | Say's law states that   | A. Supply creates its own demand<br>B. Demand creates its own supply<br>C. There is no such things as a free lunch<br>D. Macro economics policy activism is essential to ensure full employment.                  |
| 5  | In perfect competition.   | A. the products firm offer are very similar<br>B. Products are heavily differentiated<br>C. A few firms dominate the market<br>D. Consumers have limited information  |
| 6  | The law of diminishing returns states that as more of a variable factor is added to a certain amount of a fixed factor beyond some point. | A. Total Physical product begins to fall<br>B. The marginal physical product rises<br>C. The marginal physical product falls<br>D. The average physical product falls.  |
| 7  | Inflation.  | A. Reduces the cost of living<br>B. Reduces the standard of living<br>C. Reduce the price of products<br>D. Reduces the purchasing power of a price   |
| 8  | Over time the price of primary products tends to fall because.  | A. Demand is income elastic<br>B. Supply is income elastic<br>C. Of outward shifts in supply<br>D. Demand is price elastic  |
| 9  | A public good   | A. Is provided by the government<br>B. Is free<br>C. Has the properties of being non excludable and non diminishable<br>D. Has external costs   |
| 10 | Profit is measured by   | A. Revenue - Fixed costs<br>B. Fixed cost + revenue<br>C. Revenue - sales<br>D. Revenues - total costs  |
| 11 | What is the effect of imposing a fixed per unit tax on a good on its equilibrium price and quantity.                                      | A. Price falls, quantity rises<br>B. Price rises, quantity falls<br>C. Both price and quantity fall<br>D. Both price and quantity rise  |
| 12 | Less demand in the economy may increase unemployment this may lead to less spending which may reduce demand further This is called.       | A. The upward accelerator<br>B. The downward multiplier<br>C. The upward PPF<br>D. The downward MPC   |

13 Demand for primary products is likely to be

A. Very sensitive to price  
B. Price elastic  
C. Unit elastic  
D. Income inelastic

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14 An increase in demand for a product should.

A. Increase equilibrium price and quantity.  
B. Decrease equilibrium price and quantity.  
C. Increase equilibrium price and decrease quantity.  
D. Decrease equilibrium price and increase quantity.

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15 If injections are greater than withdrawals.

A. National income will increase  
B. National income will decrease  
C. National income will stay in equilibrium  
D. Price will fall

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16 In monopolistic competition if firms are making abnormal profit other firms will enter and

A. The marginal cost will shift outwards  
B. the demand curve will shift inwards  
C. The average cost will shift downwards  
D. The average variable cost will increase

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17 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 costs

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18 If demand increase in a market this will usually lead to.

A. A higher equilibrium price and output  
B. a lower equilibrium price and higher output  
C. A lower equilibrium price and output.  
D. A higher equilibrium price and lower output

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19 To adjust GDP from market prices to factor cost.

A. Add indirect taxes  
B. Subtract subsidies  
C. Deduct indirect taxes and subsidies  
D. Deduct indirect taxes and add subsidies

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20 Which of the following is the government most likely to subsidize.

A. Negative externalities  
B. Positive externalities  
C. Monopolies  
D. Oligopolies