

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	An increase in consumption at any given level of income is likely to lead to.	<p>A. a fall in savings B. An increase in exports C. A fall in taxation revenue D. A decrease in import spending</p>
2	A supply curve that starts at the origin has	<p>A. A price elasticity of supply greater than one B. A price elasticity of supply equal to one C. A price elasticity of supply less than one D. A positive price elasticity of supply</p>
3	Over time the price of primary products tends to fall because.	<p>A. Demand is income elastic B. Supply is income elastic C. Of outward shifts in supply D. Demand is price elastic</p>
4	Less demand in the economy may increase unemployment this may lead to less spending which may reduce demand further This is called.	<p>A. The upward accelerator B. The downward multiplier C. The upward PPF D. The downward MPC</p>
5	Economics given can be shown by	<p>A. An inward shift of the production possibility frontier B. A movement down the production possibility frontier C. An outward shift of the production possibility frontier D. A movement up the production possibility frontier</p>
6	The law of diminishing returns assumes.	<p>A. There are not fixed factors of production B. There are no variable factors of production C. Utility is maximized when marginal product falls. D. Some factors of production are fixed</p>
7	In a less developed country.	<p>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</p>
8	What lies is at the heart of the allocation of goods and services in a free market economy.	<p>A. Concerns of equity or equal distribution among individuals. B. The order or command of the ruling government or dictator C. The wishes of consumers in the market D. The price mechanism</p>
9	The resources in the economy do not include.	<p>A. Demand B. Land C. Labor D. Capital</p>
10	If the price elasticity of demand for a product in market A is -0.2 and in market B is -3 a price discriminator will charge.	<p>A. The higher price in market A B. The higher price in market B C. The same price in both markets D. There are many sellers</p>
11	A cut in the tax rate designed to reduce the business investment is an example of.	<p>A. Expansionary demand side policy B. Contractionary demand side policy C. Expansionary supply side policy D. Contractionary supply side policy</p>
12	The index used most often to measure inflation is the	<p>A. Consumer price index B. Wholesale price index C. Student price index D. Producer price index</p>

13	Which of the following best defines price discrimination.	<p>A. Charging different prices on the basis of race</p> <p>B. Charging different prices for goods with different costs of production</p> <p>C. Charging different prices based on cost of service differences.</p> <p>D. Selling a certain product of given quality and cost per unit at different prices to different buyers</p>
14	In a perfectly competitive labour market firms are wage takers and the marginal cost of labour equals.	<p>A. the average cost of labour</p> <p>B. The marginal product</p> <p>C. The marginal revenue</p> <p>D. The total cost of labour</p>
15	The price mechanism does not act as a	<p>A. Signal</p> <p>B. Incentive</p> <p>C. Rationing device</p> <p>D. Indicator of income</p>
16	Which of the following is not one of the four Ps in marketing.	<p>A. Product</p> <p>B. Price</p> <p>C. Place</p> <p>D. Presence</p>
17	What is the effect of imposing a fixed per unit tax on a good on its equilibrium price and quantity.	<p>A. Price falls, quantity rises</p> <p>B. Price rises, quantity falls</p> <p>C. Both price and quantity fall</p> <p>D. Both price and quantity rise</p>
18	If firms join together to set prices and quantities this is known as what.	<p>A. Interaction</p> <p>B. Conglomerate</p> <p>C. Collusion</p> <p>D. Integration</p>
19	Which of the following is a policy instrument as opposed to a government objective.	<p>A. Lower interest rates</p> <p>B. A better balance of trade position</p> <p>C. Faster economic growth</p> <p>D. Lower un employment</p>
20	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>