

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	The difference between gross investment and net investment is.	<p>A. Depreciation            B. Acceleration            C. Deceleration            D. Capital investment</p>
2	Compared to the case of perfect competition, a monopolist is more likely to	<p>A. Charge a higher price            B. Produce a lower quantity of the product            C. Make a greater amount of economic profit            D. All of the above</p>
3	A shift in supply will have a bigger effect on price than output if demand is.	<p>A. Income elastic            B. Income inelastic            C. Price elastic            D. Price inelastic</p>
4	Which of the following is not an obvious or direct determinant of a country's imports.	<p>A. Real exchange rate            B. Income            C. Tariff rates            D. Interest rate</p>
5	The price mechanism does not act as a	<p>A. Signal            B. Incentive            C. Rationing device            D. Indicator of income</p>
6	A model of game theory of oligopoly is known as the	<p>A. Prisoner's dilemma            B. Monopoly cell            C. Jailhouse sentence            D. Jury box</p>
7	The Philips curve shows the relationship between inflation and what?	<p>A. The balance of trade            B. The rate of growth in an economy            C. The rate of price increases            D. Un employment</p>
8	If there is a price floor there will be.	<p>A. Shortages            B. Surpluses            C. Equilibrium            D. All of these</p>
9	An increase in the marginal propensity to consume will	<p>A. Increase the size of the multiplier            B. Increase the marginal propensity to save            C. Decrease national income            D. Reduce injections into the economy</p>
10	Capital, as economists use the term.	<p>A. Is the money the firm spends to hire resources            B. Is money the firm raises from selling stock            C. Refers to the process by which resources are transformed into useful forms            D. Refers to things that have already been produced that are in turn used to produce other goods and services.</p>
11	The best describes consumer surplus.	<p>A. The price consumers are willing to pay for a unit            B. The cost of providing a unit.            C. The profits made by a firm            D. The difference the price a consumer pays for an item and the price he is willing to pay.</p>
12	Why might a country resist globalization.	<p>A. Greater choice of final products            B. Greater choice of supplies            C. Greater competition for domestic firms            D. More markets to sell to</p>

13	"Reducing inflation is a more important objective than economic growth" is an example of.	<p>A. Normative economics</p> <p>B. Positive economics</p> <p>C. Objective economics</p> <p>D. Reality economics</p>
14	Aggregate demand refers to the total demand for all domestically produced goods and services in an economy generated from.	<p>A. The household and government sectors</p> <p>B. The household sector</p> <p>C. All sectors except the rest of the world</p> <p>D. All sectors including the rest of the world.</p>
15	Economics given can be shown by	<p>A. An inward shift of the production possibility frontier</p> <p>B. A movement down the production possibility frontier</p> <p>C. An outward shift of the production possibility frontier</p> <p>D. A movement up the production possibility frontier</p>
16	The law of diminishing returns assumes.	<p>A. There are not fixed factors of production</p> <p>B. There are no variable factors of production</p> <p>C. Utility is maximized when marginal product falls.</p> <p>D. Some factors of production are fixed</p>
17	If labour productivity per week is 200 units and there are 5 employees what is the total output.	<p>A. 40 units</p> <p>B. 195 units</p> <p>C. 1000 units</p> <p>D. 200 units</p>
18	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>
19	Demand for primary products is likely to be	<p>A. Very sensitive to price</p> <p>B. Price elastic</p> <p>C. Unit elastic</p> <p>D. Income inelastic</p>
20	Investment depend mainly on.	<p>A. Past levels of income</p> <p>B. Future expected profits</p> <p>C. Present national income levels</p> <p>D. Historic data</p>