PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	As income increases.	A. the average propensity to consume gets nearer in value to the marginal propensity to consume B. the average propensity to consume diverges in value from the marginal propensity to consume C. the average propensity to consume falls D. The averge propensity to consume always approaches 0
2	According to Keynes, the level of employment is determined by	A. Interest rates B. The level of prices C. The level of aggregate supply in the economy D. The level of aggregate demand for goods and services.
3	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.
4	Developing economies usually	A. Have large industrialized sectors B. Are dependent on primary products C. Have high levels of wealth D. Earn more from exports than is spent on imports
5	If employees cannot accept a job because of the costs of moving this is known as.	A. Occupational immobility B. Cyclical unemployment C. Structural immobility D. Geographical immobility
6	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
7	To reduce the supply of money the government could.	A. Reduce interest rates B. Buy back government bonds C. Sell government bonds D. Encourage banks to lend
8	If there is a price celling there will be	A. Shortages B. Surpluses C. Equilibrium D. None of these
9	To maximize sales revenue a firm should produce where	A. Marginal cost is zero B. Marginal revenue is maximized C. Marginal revenue is zero D. Marginal revenue equals marginal cost
10	Equilibrium in the market for good A obtains.	A. When there is no surplus or shortage prevailing in the market B. Where the demand and supply curves for A intersect C. When all of what is produced of A is consumed D. All of the above
11	Tariffs.	A. Decrease the domestic price of a product. B. Increase government earnings from tax C. Increase the quantity of imports D. Decrease domestic production

12	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
13	With a positive externality	A. There is under consumption in the free market B. There is over consumption in the free market C. The government may tax to decrease production D. Society could be made off if less was produced
14	If economics when we say that people are rational, we mean that they.	A. Never make mistakes B. Try to get what they desire as best they can, given the limitations they face. C. Logically figure out what to do D. Behave in a random unpredictable manner
15	The resources in an economy are	A. Constantly increasing B. Fixed at any moment C. Constant decreasing D. Able to be transferred easily between industries
16	If the marginal revenue is positive	A. Selling another unit will increase total revenue B. Selling another unit will increase profits C. Selling another unit will increase cost D. Selling another unit will increase average revenue
17	In the long term a firm will produce provident the revenue covers.	A. Fixed costs B. Variable cost C. Total costs D. Revenue
18	The hypothesis that people know the true model of the economy and that they use this model and al available information to form their expectations of the future is the	A. Relational expectations hypothesis. B. Active expectations hypothesis C. Static expectations hypothesis D. Adeptive expectations hypothesis
19	An increase income will	A. Lead to a movement along the demand curve B. Shift the supply curve C. Shift the demand curve D. Lead to an extension of demand
20	A profit maximizing firm in perfect competition produces where	A. Total revenue is maximized B. Marginal revenue equals zero C. Marginal revenue equals marginal cost D. Marginal revenue equals average cost