

PPSC Economics Topic 1 Basic Economics

| Sr | Questions | Answers Choice |
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| 1 | 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> |
| 2 | A model of game theory of oligopoly is known as the | <p>A. Prisoner's dilemma</p> <p>B. Monopoly cell</p> <p>C. Jailhouse sentence</p> <p>D. Jury box</p> |
| 3 | Which of the following is a normative statement in economics. | <p>A. More spending by the government reduces poverty</p> <p>B. Higher taxes lead to less desire to work</p> <p>C. the UK Economy is growing fast relative to other European Union members</p> <p>D. The Government should concentrate on reducing unemployment</p> |
| 4 | In the short run firm in perfect competition will still produce provided. | <p>A. The price covers average variable cost</p> <p>B. The price covers variable cost</p> <p>C. The price covers average fixed cost</p> <p>D. The price covers fixed cost</p> |
| 5 | The hypothesis that people know the true model of the economy and that they use this model and all available information to form their expectations of the future is the | <p>A. Relational expectations hypothesis.</p> <p>B. Active expectations hypothesis</p> <p>C. Static expectations hypothesis</p> <p>D. Adaptive expectations hypothesis</p> |
| 6 | Capital, as economists use the term. | <p>A. Is the money the firm spends to hire resources</p> <p>B. Is money the firm raises from selling stock</p> <p>C. Refers to the process by which resources are transformed into useful forms</p> <p>D. Refers to things that have already been produced that are in turn used to produce other goods and services.</p> |
| 7 | An expansionist fiscal policy could include | <p>A. Lower interest rates</p> <p>B. Increased lending by the banks</p> <p>C. An increase in corporation tax</p> <p>D. An increase in discretionary government spending</p> |
| 8 | 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> |
| 9 | Which of the following is the government most likely to subsidize. | <p>A. Negative externalities</p> <p>B. Positive externalities</p> <p>C. Monopolies</p> <p>D. Oligopolies</p> |
| 10 | Economists use the term utility to mean | <p>A. The value of a product before it has been advertised</p> <p>B. The satisfaction a consumer obtains from a good or service</p> <p>C. any characteristic of a good or service which cannot be measured</p> |

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| | | D. The contribution a good or service makes to social welfare |
| 11 | Which of the following can the government not use directly to control the economy. | A. Pay rates within the private sector B. Pay rates in the public sector C. Investment in education D. Benefits available for the unemployed and sick |
| 12 | In the short term a firm will produce provided the revenue | A. Covers fixed costs B. Covers variable costs C. Covers total costs D. Covers revenue |
| 13 | 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 |
| 14 | If demand increases 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 |
| 15 | Which of the following would increase aggregate demand. | A. Increasing saving B. Increasing import spending C. Increasing taxation revenue D. Increased investment |
| 16 | Which is the most volatile component of aggregate demand. | A. Net exports B. Consumption C. Investment D. Government spending |
| 17 | Profit is measured by | A. Revenue - Fixed costs B. Fixed cost + revenue C. Revenue - sales D. Revenues - total costs |
| 18 | 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. |
| 19 | A profit maximizing firm will employ labour up to the point where. | A. Marginal revenue = Marginal product B. Marginal cost = Marginal product C. Marginal revenue product = Average cost of labour D. Marginal revenue product = Marginal cost of labour |
| 20 | A movement along the demand curve may be caused by | A. A change in income B. A change in the number of buyers C. A change in advertising D. A shift in supply |