

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Supply is likely to be more price elastic.	A. In the short run rather than the long run B. If factors of production are relatively immobile between industries. C. If there are very few producers D. If it is easy to expand output
2	An independent assessment of the impact of firm's activities on society is called a.	A. Financial audit B. Balance sheet C. Profit and uses account D. Social audit
3	Demand for labour is more likely to be wage inelastic if.	A. Wages are a small proportion of total costs B. Demand for the final product is price elastic C. It is easy to replace labour D. Capital is a good substitute for labour
4	Nationalization occurs when	A. The government bans a product B. The government takes control of an industry C. the government taxes a product to a raise the price. D. The government taxes a product to a raise its price.
5	Effective branding will tend to make	A. Demand more price inelastic B. Supply more price inelastic C. Demand more income elastic D. Supply more income elastic
6	If there is a price ceiling there will be	A. Shortages B. Surpluses C. Equilibrium D. None of these
7	Improved training of employees would.	A. Shift aggregate supply to the right B. Shift aggregate supply to the left C. Shift aggregate demand to the right D. Shift aggregate demand to the left
8	A study of how increase in the minimum wage rate will effect the national unemployment rate is an example of.	A. Descriptive economics B. Normative economics C. Macro economics D. Micro economics
9	Which does the government not control directly.	A. Spending on health B. spending on defense C. Firm's investment decisions D. spending on education
10	An expansionist fiscal policy could include	A. Lower interest rates B. Increased lending by the banks C. An increase in corporation tax D. An increase in discretionary government spending
11	There are three fundamental questions every society must answer Which of the following is one of these questions.	A. What goods and services are to be produced. B. How are the good and services to be produced. C. Who will get the goods and services what are produced. D. All of the above
12	The standard of living is often measured by	A. Real GDP per capita B. Real GDP C. Real GDP * Population D. Real GDP Plus depreciation
		A. Act in greedy and selfish ways,

13	Economic theory assumes that people	without regard for the welfare of others. B. Act without regard for their own interests. C. Are not motivated by self interest D. Are motivated by self interest but still might be concerned for the welfare of others.
14	A government might use tax to.	A. Discourage consumption of positive externalities B. Discourage consumption of public goods C. Discourage consumption of merit goods D. Discourage consumption of negative externalities
15	If one car company takes over another car company this is an example of which type of integration.	A. Vertical B. Horizontal C. Conglomerate D. Literal
16	Which of the following best defines price discrimination.	A. Charging different prices on the basis of race B. Charging different prices for goods with different costs of production C. Charging different prices based on cost of service differences. D. Selling a certain product of given quality and cost per unit at different prices to different buyers
17	To anticipate what the economy is going to do next the government will look at.	A. Lagging indicators B. Flashing indicators C. Coincidental indicators D. Leading indicators
18	If the exchange rate is above the equilibrium level.	A. There is excess demand and the exchange rate will fall B. There is excess supply and the exchange rate will fall C. There is excess demand and the exchange rate will rise D. There is excess supply and the exchange rate will rise
19	The accelerator assumes.	A. The marginal propensity to consume is constant B. The economy is at full employment C. There is a constant relationship between net investment and the rate of change of output D. The multiplier is constant
20	Why does it make sense to assume that people are rational, if you want to predict their behavior.	A. People are not guided by emotions when making decisions B. People who act in the way that best gets them what they want will tend to repeat that behavior, and will tend to learn from mistakes that they do make C. People never make mistakes, and tend to make the correct choices all of the time D. People always logically figure out what to do.