

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	A government might use tax to.	<p>A. Discourage consumption of positive externalities</p> <p>B. Discourage consumption of public goods</p> <p>C. Discourage consumption of merit goods</p> <p>D. Discourage consumption of negative externalities</p>
2	Demand for labour is more likely to be wage inelastic if.	<p>A. Wages are a small proportion of total costs</p> <p>B. Demand for the final product is price elastic</p> <p>C. It is easy to replace labour</p> <p>D. Capital is a good substitute for labour</p>
3	The price mechanism cannot.	<p>A. Act as a signal</p> <p>B. Act as an incentive</p> <p>C. Act as a rationing device</p> <p>D. Shift the demand curve</p>
4	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>
5	According to the quantity theory of money an increase in the money supply is most likely to lead to inflation if	<p>A. The velocity of circulation decreases</p> <p>B. The number of transactions decreases</p> <p>C. There is deflation</p> <p>D. The velocity of circulation and the number of transactions is constant</p>
6	The standard of living is often measured by	<p>A. Real GDP per capita</p> <p>B. Real GDP</p> <p>C. Real GDP * Population</p> <p>D. Real GDP Plus depreciation</p>
7	In the long run in perfect competition	<p>A. the price equals the total revenue</p> <p>B. Firms are allocatively inefficient</p> <p>C. Firms are productively efficient</p> <p>D. the price equals total cost</p>
8	The fundamental economic problem faced by all societies is.	<p>A. Unemployment</p> <p>B. Inequality</p> <p>C. Poverty</p> <p>D. Scarcity</p>
9	Investment is an out stable element of aggregate demand because it depends heavily on.	<p>A. Government policy</p> <p>B. Expectations</p> <p>C. National income</p> <p>D. Historic trends</p>
10	An increase in costs will	<p>A. Shift aggregate demand</p> <p>B. Shift aggregate supply</p> <p>C. Reduce the natural rate of unemployment</p> <p>D. Increases the productivity of employees</p>
11	Gross National product equals	<p>A. Net National Product adjusted for inflation</p> <p>B. Gross domestic product adjusted for inflation</p> <p>C. Gross Domestic product plus net property income from abroad</p> <p>D. Net National product plus net property income from abroad</p>

12	Earning from primary products are often unstable because.	A. Demand is price elastic B. Supply is price elastic C. Supply conditions are relatively stable D. Supply conditions are unstable
13	As the MPS increases, the multiplier will	A. Increase B. Either increase or decrease depending on the size of the change in investment C. Remain constant D. Decrease
14	An outward shift in the marginal efficacy of capital should.	A. Decrease consumption B. Increase aggregate demand C. Reduce aggregate supply D. Slow economic growth
15	Acquisition and merger are examples of.	A. Internal growth B. External growth C. Organic growth D. Underlying growth
16	For perfectly competitive firm	A. Price equals marginal revenue B. Price is greater than marginal revenue C. Price equal total revenue D. Price equals total cost
17	In monopolistic competition firms profit maximize where	A. Marginal revenue = average revenue B. Marginal revenue= Marginal cost C. Marginal revenue= Average cost D. Marginal revenue = Total cost
18	In pure monopoly what is the relation between the price and teh marginal revenue.	A. The price is greater than the marginal revenue B. The price is les than the marginal revenue C. There is no relation D. They are equal
19	Which of the following can the government not use directly to control the economy.	A. Pay rates within the privates sector B. Pay rates in the public sector C. Investment in education D. Benefits available for the un employed and sick
20	Aggregate demand will increase if	A. Consumption falls B. Investment falls C. Exports fall D. imports fall