

## PPSC Economics Topic 1 Basic Economics

| Sr | Questions   | Answers Choice  |
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| 1  | The best describes consumer surplus.                                      | A. The price consumers are willing to pay for a unit<br>B. The cost of providing a unit.<br>C. The profits made by a firm<br>D. The difference the price a consumer pays for an item and the price he is willing to pay.                  |
| 2  | Which of the following is not a supply side measure.                      | A. Increased training<br>B. Providing more information<br>C. Helping individuals to move location to find work<br>D. Increasing spending on existing industries.  |
| 3  | A public good will  | A. Be underprovided in the free market<br>B. Be overprovided in the free market<br>C. Not be provided in the free market<br>D. Has no opportunity cost  |
| 4  | Economics given can be shown by   | A. An inward shift of the production possibility frontier<br>B. A movement down the production possibility frontier<br>C. An outward shift of the production possibility frontier<br>D. A movement up the production possibility frontier |
| 5  | To reduce the supply of money the government could.                       | A. Reduce interest rates<br>B. Buy back government bonds<br>C. Sell government bonds<br>D. Encourage banks to lend  |
| 6  | In the long term a firm will produce provided the revenue covers.         | A. Fixed costs<br>B. Variable cost<br>C. Total costs<br>D. Revenue  |
| 7  | In a recession, GDP.  | A. Grows negatively<br>B. Grows by 0%<br>C. Grows slowly<br>D. Grows rapidly  |
| 8  | In a recession  | A. Unemployment is likely to be low<br>B. prices are likely to increase<br>C. Growth is negative<br>D. Growth is slow   |
| 9  | The public sector includes.   | A. Investors owning companies<br>B. Government ownership of assets<br>C. Market forces of supply and demand<br>D. All trade via barter  |
| 10 | Any combination of products inside the production possibility frontier is | A. Allocatively inefficient<br>B. X inefficient<br>C. Consumer inefficient<br>D. Productively inefficient   |
| 11 | Revealed preference theory was presented by.                              | A. Samuelson<br>B. Hicks<br>C. Marshall<br>D. rICARDO   |
| 12 | In a recession a government.  | A. Is likely to want to increase demand in the economy<br>B. Is likely to want to decrease demand in the economy<br>C. Is likely to want to stabilize demand in the economy<br>D. Is likely to want to increase supply in the economy     |

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| 13 | According to schumpater  | <p>A. Monopolies are inefficient</p> <p><b>B. Monopoly profits act as an incentive for innovation</b></p> <p>C. Monopolies are allocatively efficient</p> <p>D. Monopolies are productively efficient</p>   |
| 14 | An increase in aggregate demand will have most effect on prices if.                          | <p><b>A. Aggregate supply is price inelastic</b></p> <p>B. Aggregate supply is price elastic</p> <p>C. Aggregate supply has a unitary price elasticity</p> <p>D. Aggregate demand is price inelastic</p>  |
| 15 | Tariffs.   | <p>A. Decrease the domestic price of a product.</p> <p><b>B. Increase government earnings from tax</b></p> <p>C. Increase the quantity of imports</p> <p>D. Decrease domestic production</p>  |
| 16 | The liquidity trap occurs when the demand for money  | <p><b>A. Is perfectly interest elastic</b></p> <p>B. Is perfectly interest inelastic</p> <p>C. Means that an increase in money supply leads to a fall in the interest rate</p> <p>D. Means that an increase in the money supply leads to an increase in the interest rate</p> |
| 17 | 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><b>D. Presence</b></p>   |
| 18 | In a market system sellers act in ___ interest, but this leads to behaviors in ___ interest. | <p>A. Self : self</p> <p><b>B. Self ; society's</b></p> <p>C. Society's ; society's</p> <p>D. society's, self</p>   |
| 19 | 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><b>D. Shift the demand curve</b></p>   |
| 20 | Which of the following is the government most likely to subsidize.                           | <p>A. Negative externalities</p> <p><b>B. Positive externalities</b></p> <p>C. Monopolies</p> <p>D. Oligopolies</p>   |