

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	In marketing "USP " Stand for	<p>A. Unique selling proposition</p> <p>B. Underlying sales pitch</p> <p>C. Unit sales point</p> <p>D. Under sales procedure</p>
2	If the price elasticity of demand for a product in market A is -0.2 and in market B is -3 a price discriminator will charge.	<p>A. The higher price in market A</p> <p>B. The higher price in market B</p> <p>C. The same price in both markets</p> <p>D. There are many sellers</p>
3	If there is a price ceiling which of the following is NOT likely to occur.	<p>A. Rationing by first come first served</p> <p>B. Black markets</p> <p>C. Gray markets</p> <p>D. Sellers providing goods for free that were formerly not free</p>
4	If the marginal revenue is positive	<p>A. Selling another unit will increase total revenue</p> <p>B. Selling another unit will increase profits</p> <p>C. Selling another unit will increase cost</p> <p>D. Selling another unit will increase average revenue</p>
5	In monopolistic competition if firms are making abnormal profit other firms will enter and	<p>A. The marginal cost will shift outwards</p> <p>B. the demand curve will shift inwards</p> <p>C. The average cost will shift downwards</p> <p>D. The average variable cost will increase</p>
6	If injection are less than with draws at the full employment level of national income there is.	<p>A. an inflationary gap</p> <p>B. Equilibrium</p> <p>C. A deflationary gap</p> <p>D. Hyperinflation</p>
7	Normal profit occurs when	<p>A. Average revenue equals average variable cost</p> <p>B. Marginal revenue equals marginal cost</p> <p>C. Average revenue equals marginal cost</p> <p>D. Average revenue equals average cost</p>
8	Less demand in the economy may increase unemployment this may lead to less spending which may reduce demand further This is called.	<p>A. The upward accelerator</p> <p>B. The downward multiplier</p> <p>C. The upward PPF</p> <p>D. The downward MPC</p>
9	Which of the following is a determinant of consumption.	<p>A. Expectations about future prices</p> <p>B. Level of indebtedness of consumers</p> <p>C. The price level</p> <p>D. All of the above</p>
10	As the MPS increases, the multiplier will	<p>A. Increase</p> <p>B. Either increase or decrease depending on the size of the change in investment</p> <p>C. Remain constant</p> <p>D. Decrease</p>
11	In monopoly in long run equilibrium.	<p>A. The firm is productively efficient</p> <p>B. The firm is allocatively inefficient</p> <p>C. The firm produces where marginal cost is less than marginal revenue</p> <p>D. The firm produces at the sociality optimal level</p>
12		<p>A. It tests theories against observations and modifies the theories if needed.</p>

12	What makes economics scientific.	B. It uses numbers to measure things C. It involves the use of experiments D. It is a description of how things work
13	Over time the price of primary products tends to fall because.	A. Demand is income elastic B. Supply is income elastic C. Of outward shifts in supply D. Demand is price elastic
14	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
15	Exchange rates that are determined by the unregulated forces of supply and demand are.	A. Floating exchange rates B. Pegged exchange rates C. Fixed exchange rate D. Managed exchange rates
16	Which of the following would increase aggregate demand.	A. Increasing saving B. Increasing import spending C. Increasing taxation revenue D. increased investment
17	Firms in perfect competition face a	A. Perfectly elastic demand curve B. Perfectly inelastic demand curve C. Perfectly elastic supply curve D. Perfectly inelastic supply curve
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	Globalization is made more difficult by	A. The actions of the World Trade Organization B. The removal of protectionist measures C. Exchange rate instability D. More free trade agreements
20	In the short run firm in perfect competition will still produce provided.	A. The price covers average variable cost B. The price covers variable cost C. The price covers average fixed cost D. The price covers fixed cost