

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	A mixed economy	A. Has supply but not demand B. Has demand but not supply C. Has supply and demant D. Has market forces and government intervention
2	If the exchange rate is above the equilibrium level.	A. There is excess demand and teh 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
3	Capital, as economists use the term.	A. Is the money the firm spends to hire resources B. Is money the firm raises from selling stock C. Refers to the process by which resources are transformed into useful forms D. Refers to things that have already been produced that are in turn used to produce other goods and services.
4	Effective branding will tend to make	A. Demand mover price inelastic B. Supply more price inelastic C. Demand more income elastic D. Supply more income elastic
5	A demand switching policy could be.	A. Higher interest rates B. Higher income tax C. Traiffs D. Reduced government spending
6	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
7	In a recession, GDP.	A. Grows negatively B. Grows by 0% C. Grows slowly D. Grows rapidly
8	Any combination of products inside the production possibility frontier is	A. Allocatively inefficient B. X inefficient C. Consumer inefficient D. Productively inefficient
9	Developing economics usually have	A. Low GDP per captia B. Low CPI C. Large balance of payments surpluses D. Large budget surpluses
10	A public good will	A. Be underprovided in the free market B. Be overprovided in the free market C. Not be provided in the free market D. Has no opportunity cost
11	To be allocatively efficient ta firm must produce where	A. the total cost equals demand B. the average revenue equals the marginal revenue C. The price equals the average cost D. The price equals the marginal cost
12	If labour productivity per week is 200 units and there are 5 employees what is the total output.	A. 40 units B. 195 units C. 1000 units D. 200 units
		A. Add indirect taxes

13	To adjust GDP from market prices to factor cost.	B. Subtract subsidies C. Deduct indirect taxes and subsidies D. Deduct indirect taxes and add subsidies
14	If the price was fixed below the equilibrium price there would be.	A. Excess supply B. Excess demand C. Equilibrium D. Down ward pressure on prices
15	Which of the following is not an obvious or direct determinant of a country's imports.	A. Real exchange rate B. Income C. Tariff rates D. Interest rate
16	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
17	A depreciation of currency occur when	A. The value of the currency falls B. The value of the currency increases C. Inflation falls D. The balance of payments improves
18	An increase in national income is.	A. Likely to increase exports B. Likely to decrease savings C. Likely to decrease investment D. Likely to increase spending on imports
19	As income increases.	A. the average propensity to consume gets nearer in value to the marginal propensity to consume B. the average propensity to consume diverges in value from the marginal propensity to consume C. the average propensity to consume falls D. The average propensity to consume always approaches 0
20	The natural rate of unemployment is likely to fall if	A. Unemployment benefits increase B. Income tax increases C. More training is available for the unemployed D. Geographical immobility increases