

## PPSC Economics Topic 1 Basic Economics

| Sr | Questions   | Answers Choice  |
|----|---|---|
| 1  | The hypothesis that people know the true model of the economy and that they use this model and al available information to form their expectations of the future is the | <ul><li>A. Relational expectations<br/>hypothesis.</li><li>B. Active expectations hypothesis</li><li>C. Static expectations hypothesis</li><li>D. Adeptive expectations hypothesis</li></ul>        |
| 2  | An increase income will   | A. Lead to a movement along the demand curve     B. Shift the supply curve     C. Shift the demand curve     D. Lead to an extension of demand  |
| 3  | The price mechanism does not act as a   | A. Signal     B. Incentive     C. Rationing device     D. Indicator of income   |
| 4  | A profit maximizing firm will employ labour up to the point where.  | A. Marginal revenue = Marginal product B. Margial cost = Marginal product C. Marginal revenue product = Average cost of labour D. Marginal revenue product = Marginal cost of labour                |
| 5  | If inflationary expectations increase, the short run Phillip's curve will   | A. Become vertical     B. Become up warding sloping     C. Shift to the right     D. Shift to the left  |
| 6  | In monopoly when abnormal profits are made.   | A. The prize set is greater than the marginal cost B. The price is less than the average cost C. The average revenue equals the marginal cost D. Revenue wquals total cost                          |
| 7  | Government policies that focus on increasing production rather than demand are called.  | <ul><li>A. Fiscal policies</li><li>B. Monetary policies</li><li>C. Incomes policies</li><li>D. Supply side policies</li></ul>   |
| 8  | With a positive externality   | A. There is under consumption in the free market B. There is over consumption in the free market C. The government may tax to decrease production D. Society could be made off if less was produced |
| 9  | The fundamental economic problem faced by all societies is.   | A. Unemployment B. Inequality C. Poverty D. Scarcity  |
| 10 | Which of the following would increase aggregate demand.   | A. Increasing saving     B. Increasing import spending     C. Increasing taxation revenue     D. increased investment   |
| 11 | Which of the following would decrease aggregate demand.   | A. Increased consumption     B. Increasing export revenue     C. Increased taxation revenue     D. Increased investment   |
| 12 | If marginal cost is positive and falling.   | A. Total cost is falling     B. Total cost is increasing at a falling rate     C. Total cost is falling at a falling rate     D. Total cost is increasing at an increasing rate.                    |
|    |   | A Demand  |

|   | 13 | The resources in the economy do not include.   | B. Land<br>C. Labor<br>D. Capital   |
|---|----|--|---|
|   | 14 | A model of game theory of oligopoly is known as the  | A. Prisoner's dilemma B. Monopoly cell C. Jailhouse sentence D. Jury box  |
|   | 15 | The best describes consumer surplus.   | A. The price consumers are willing to pay for a unit B. The cost of providing a unit. C. The profits made by a firm D. The difference the price a consumer pays for an item and the price he is willing to pay. |
|   | 16 | If an economy is productively efficient.   | A. Everyone is wealthy B. Resources are unemployed C. More of one product can only be produced if less of another product is produced. D. The distribution of income is equal                                   |
|   | 17 | Investment depend mainly on.   | A. Past levels of income B. Future expected profits C. Present national income levels D. Historic data  |
|   | 18 | A profit maximizing firm in perfect competition produces where                                 | A. Total revenue is maximized     B. Marginal revenue equals zero     C. Marginal revenue equals marginal cost     D. Marginal revenue equals average cost  |
|   | 19 | The effects of inflation on the price competitiveness of a country's products may be offset by | A. An appreciation of the currency B. A revaluation of the currency C. A depreciation of the currency D. Lower inflation abroad   |
| : | 20 | Which of the following is not a global organization?   | A. IMF B. World bank C. Competition commission D. WTO   |
|   |    |  |   |