

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Firm in oligopoly are likely to.	<p>A. Invest heavily in branding</p> <p>B. Act independently of other firms</p> <p>C. Try to differentiate its products</p> <p>D. Try to be a price maker</p>
2	A deflationary policy could include	<p>A. Increasing injections</p> <p>B. Reducing taxation rates</p> <p>C. Reducing interest rates</p> <p>D. Reducing government spending</p>
3	The law of diminishing returns states that as more of a variable factor is added to a certain amount of a fixed factor beyond some point.	<p>A. Total Physical product begins to fall</p> <p>B. The marginal physical product rises</p> <p>C. The marginal physical product falls</p> <p>D. The average physical product falls.</p>
4	A profit maximizing firm will employ labour up to the point where.	<p>A. Marginal revenue = Marginal product</p> <p>B. Margial cost = Marginal product</p> <p>C. Marginal revenue product = Average cost of labour</p> <p>D. Marginal revenue product = Marginal cost of labour</p>
5	In a command economy	<p>A. The price mechanism acts as an incentive</p> <p>B. Resources are allocated by market forces</p> <p>C. Individual firms make decisions for themselves about what to produce and how to produce it.</p> <p>D. The public sector is large</p>
6	"Reducing inflation is a more important objective than economic growth" is an example of.	<p>A. Normative economics</p> <p>B. Positive economics</p> <p>C. Objective economics</p> <p>D. Reality economics</p>
7	Injection are	<p>A. Assumed to be exogenous</p> <p>B. Assumed to be a function of national income</p> <p>C. Decrease aggregate demand</p> <p>D. Decrease the investment into an economy</p>
8	If the price was fixed below the equilibrium price there would be.	<p>A. Excess supply</p> <p>B. Excess demand</p> <p>C. Equilibrium</p> <p>D. Down ward pressure on prices</p>
9	A reduction in the costs of production will	<p>A. Lead to a movement along the supply curve</p> <p>B. Shift the demand curve</p> <p>C. Shift the supply curve</p> <p>D. Lead to an extension of supply</p>
10	When an economy first begins to grow more slowly.	<p>A. GDP increase</p> <p>B. Inflation is likely to increase</p> <p>C. Stock levels are likely to increase</p> <p>D. Investment in equipment is likely to increase</p>
11	According to the quantity theory of money an increase in the money supply is most likely to lead ot 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>
12	"If the government increases its expenditure on health care, it will have to raise taxes to pay for it."	<p>A. Rationing by first come first served</p> <p>B. Black markets</p> <p>C. Shortages</p> <p>D. Excess demand</p>

12	If there is a price ceiling which of the following is NOT likely to occur.	C. Gray markets D. Sellers providing goods for free that were formerly not free
13	A study of how increase in the minimum wage rate will effect the national unemployment rate is an example of.	A. Descriptive economics B. Normative economics C. Macro economics D. Micro economics
14	Equilibrium in the market for good A obtains.	A. When there is no surplus or shortage prevailing in the market B. Where the demand and supply curves for A intersect C. When all of what is produced of A is consumed D. All of the above
15	What does ceteris paribus mean.	A. "Scientific method" B. "Rational thinking" C. "Other things remaining the same" D. "There is no such thing as a free lunch"
16	The first level of output at which the long run average costs are minimized is called.	A. The minimum Efficient Scale B. The minimum External scale C. The Maximum External scale D. The maximum Effective scale.
17	Aggregate demand refers to the total demand for all domestically produced goods and services in an economy generated from.	A. The household and government sectors B. The household sector C. All sectors except the rest of the world D. All sectors including the rest of the world.
18	A shift in supply will have a bigger effect on price than output if demand is.	A. Income elastic B. Income inelastic C. Price elastic D. Price inelastic
19	Which of the following is a determinant of consumption.	A. Expectations about future prices B. Level of indebtedness of consumers C. The price level D. All of the above
20	A demand switching policy could be.	A. Higher interest rates B. Higher income tax C. Tariffs D. Reduced government spending