# PPSC Economics Topic 1 Basic Economics

| Sr | Questions | Answers Choice |
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| 1 | A profit maximizing firm in perfect competition produces where | A. Total revenue is maximized<br>B. Marginal revenue equals zero<br>C. Marginal revenue equals marginal cost<br>D. Marginal revenue equals average cost |
| 2 | Macro economics deals with | A. Only the decisions made by individuals and their results.<br>B. Only the decisions made by businesses and their results.<br>C. Mostly large scale decisions made by countries and governments, and their results.<br>D. Only the decisions made by individuals but not the results. |
| 3 | The marginal propensity to consume is equal to. | A. Total spending /total consumption<br>B. total consumption/total income<br>C. Change in consumption/change in income<br>D. Change in consumption/change in savings |
| 4 | The profit per scale is a measure of. | A. Profit<br>B. Profitability<br>C. Feasibility<br>D. Realism |
| 5 | The concept of "Interdependence of markets" can refer to the interdependence between. | A. Two or more factor markets<br>B. Goods and factor markets<br>C. Goods markets<br>D. All of the above |
| 6 | When marginal revenue equals marginal cost | A. Total revenue equal total cost<br>B. There is the biggest positive difference between total revenue and total cost<br>C. there is the biggest negative difference between total revenue and total cost.<br>D. Profits are zero |
| 7 | Aggregate demand will increase if | A. Consumption falls<br>B. Investment falls<br>C. Exports fall<br>D. imports fall |
| 8 | An increase in the price of a complement or produce.A would. | A. Shift demand for product a out wants<br>B. Shift demand for product A inwards<br>C. shift supply for product A out wards<br>D. Shift supply for product A inwards |
| 9 | A welfare less occurs in monopoly where | A. The price in greater than the marginal cost<br>B. The price is greater than the marginal benefit<br>C. The price is greater than the average revenue<br>D. Has the right to investigate monopolies and will assess each one on its own mertis |
| 10 | A subsidy paid to producers. | A. Shifts the supply curve<br>B. Shifts the demand curve<br>C. Leads to a contractional supply<br>D. Leads to an extension of supply |
| 11 | Developing economies usually | A. Have large industrialized sectors<br>B. Are dependent on primary products<br>C. Have high levels of wealth<br>D. Earn more from exports than is |

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| | | spent on imports |
| 12 | Tariffs. | A. Decrease the domestic price of a product.<br>B. Increase government earnings from tax<br>C. Increase the quantity of imports<br>D. Decrease domestic production |
| 13 | An increase in aggregate demand if aggregate supply is totally inelastic will. | A. Increase price but not output<br>B. Increase output but not price<br>C. Increase out put and price<br>D. Decrease output and price |
| 14 | For perfectly competitive firm | A. Price equals marginal revenue<br>B. Price is greater than marginal revenus<br>C. Price equal total revenue<br>D. Price equals total cost |
| 15 | If product an inferior good. | A. Demand is inversely related to income<br>B. Demand is inversely related to price<br>C. Demand is directly related to price<br>D. Demand is inversely related to the price of substitutes |
| 16 | Which is the most volatile component of aggregate demand. | A. Net exports<br>B. Consumption<br>C. Investment<br>D. Government spending |
| 17 | If one car company takes over another car company this is an example of which type of integration. | A. Vertical<br>B. Horizontal<br>C. Conglomerate<br>D. Literal |
| 18 | A deflationary policy could include | A. Increasing injections<br>B. Reducing taxation rates<br>C. Reducing interest rates<br>D. Reducing government spending |
| 19 | If input price adjusted very slowly to output prices, the Phillip's curve would be. | A. Downward sloping<br>B. Vertical or nearly vertical<br>C. Upward sloping<br>D. Horizontal or nearly horizontal |
| 20 | Which of the following is not involved with fiscal policy. | A. Income tax<br>B. National insurance<br>C. VAT<br>D. Interest rates |