

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	The accelerator assumes.	A. The marginal propensity to consume is constant B. The economy is at full employment C. There is a constant relationship between net investment and the rate of change of output D. The multiplier is constant
2	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
3	Which of the following is true.	A. If the marginal cost is greater than the average cost the average cost falls. B. If the marginal cost is greater than the average cost the average cost increases. C. If the marginal cost is positive total costs are maximized D. If the marginal cost is negatives total costs increase at a decreasing rate if output increases
4	If firm earn normal profits.	A. They will aim to leave the industry B. Other firms will join the industry C. The revenue equals total costs D. No profit is made in accounting terms
5	The natural rate of unemployment is likely to tall if	A. Unemployment benefits increase B. Income tax increases C. More training is available for the unemployed D. Geographical immobility increases
6	The public sector includes.	A. Investors owning companies B. Government ownership of assets C. Market forces of supply and demand D. All trade via barter
7	Menu costs in relation to inflation refer to	A. Costs of finding better rates of return B. Costs of altering price lists C. Costs of money increasing its value D. Costs of revaluing the currency
8	To prevent the external value of the currency from failing the government might	A. Reduce interest rates B. Sell its own currency C. Buy its own currency with foreign reserves D. Increase its own spending
9	The precautionary demand for money is	A. An idle balance B. An active balance C. Directly related to interest rates D. Inversely related to income
10	For equilibrium in an open four sector economy	A. Actual injections = actual withdrawals B. Planned injections = Planned withdrawals C. Savings = investment D. Government spending = tax revenue
11	Occupational immobility of labour occurs if.	A. People lack information B. People do not want to work C. People do not have the right skills to work

		D. People cannot afford to move location
12	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
13	Price equal to.	A. Total revenue -quantity B. Total revenue/quantity sold C. total quantity sold * quantity sold D. Total revenue/total cost
14	If product an inferior good.	A. Demand is inversely related to income B. Demand is inversely related to price C. Demand is directly related to price D. Demand is inversely related to the price of substitutes
15	Which of the following is the government most likely to subsidies.	A. Negative externalitiesB. Positive externalitiesC. MonopoliesD. O ligopojies
16	A deflationary policy could include	A. Increasing injections B. Reducing taxation rates C. Reducing interest rates D. Reducing government spending
17	Laboratory experiments cannot be performed in economics because.	A. Of resource scarcity B. Economics is a natural science C. Of the difficulty of distinguishing between normative and positive statements. D. Economics is a social science
18	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
19	If firms join together to set prices and quantities this is known as what.	A. Interaction B. Conglomerate C. Collusion D. Integration
20	The accelerator theory of investment says that induced investments determined by.	A. The rate of change of national income B. Expectations C. The level of national income D. The level of aggregate demand