

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	If marginal utility is zero.	A. Total utility is zero B. An additional unit of consumption will decrease total utility C. An additional unit of consumption will increase total utility <b>D. Total utility is maximized</b>
2	An increase in productivity should.	A. Lead to a contraction of supply B. Lead to an expansion of supply <b>C. Lead to a shift in supply outwards</b> D. Lead to higher equilibrium and lower equilibrium quantity.
3	When supply increases in an agricultural market farmer's earnings might fall because.	A. Supply is price elastic <b>B. Demand is price inelastic</b> C. the government buys up all the excess production D. All output must be sold at a maximum price
4	An increase in the wage rate.	A. Will usually lead to more people employed <b>B. Will decrease total earnings if the demand for labour is wage elastic</b> C. Is illegal in a free market D. Will cause a shift in the demand for labour
5	Economic growth can be measured by	A. The CPI B. The CBI <b>C. GDP</b> D. MPC
6	In a recession, GDP.	<b>A. Grows negatively</b> B. Grows by 0% C. Grows slowly D. Grows rapidly
7	If the price elasticity of demand for a product in market A is -0.2 and in market B is -3 a price discriminator will charge.	<b>A. The higher price in market A</b> B. The higher price in market B C. The same price in both markets D. There are many sellers
8	If there is a price ceiling there will be	<b>A. Shortages</b> B. Surpluses C. Equilibrium D. None of these
9	Ordinal measurement approach was not presented by	A. Allen B. Hicks C. Edge worth <b>D. Robbins</b>
10	The Philips curve shows the relationship between inflation and what?	A. The balance of trade B. The rate of growth in an economy C. The rate of price increases <b>D. Unemployment</b>
11	World trade has been increasing due to.	A. Increased tariffs B. Increased legal barriers C. Increased embargoes <b>D. Reduced protectionism</b>
12	Which of the following would increase aggregate demand.	A. Increasing saving B. Increasing import spending C. Increasing taxation revenue <b>D. Increased investment</b>
13	In perfect price discrimination	A. Consumer surplus is maximized B. Producer surplus is zero C. Community surplus is maximized <b>D. Consumer surplus is zero</b>
		A. Marginal revenue = average revenue B. Marginal cost = average cost C. Marginal cost = average revenue D. Marginal cost = average cost

14	In monopolistic competition firms profit maximize where	B. Marginal revenue= Marginal cost C. Marginal revenue= Average cost D. Marginal revenue = Total cost
15	The concept of "Interdependence of markets" can refer to the interdependence between.	A. Two or more factor markets B. Goods and factor markets C. Goods markets D. All of the above
16	If people are made unemployed because of a fall in aggregate demand this is known as.	A. Frictional unemployment B. Seasonal unemployment C. Cyclical unemployment D. Structural unemployment
17	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
18	Can economic theories be tested.	A. No since individuals will seldom respond in predictable ways B. Yes, since all individuals respond in the same ways to the same situation. C. No, since the general behavior of a large number of individuals cannot be predicted D. Yes, since people will, on average, respond in predictable ways to changes in costs and benefits.
19	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
20	Improved training of employees would.	A. Shift aggregate supply to the right B. Shift aggregate supply to the left C. Shift aggregate demand to the right D. Shift aggregate demand to the left