

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	What lies is at the heart of the allocation of goods and services in a free market economy.	<p>A. Concerns of equity or equal distribution among individuals.</p> <p>B. The order or command of the ruling government or dictator</p> <p>C. The wishes of consumers in the market</p> <p>D. The price mechanism</p>
2	The resources in an economy are	<p>A. Constantly increasing</p> <p>B. Fixed at any moment</p> <p>C. Constant decreasing</p> <p>D. Able to be transferred easily between industries</p>
3	Which of the following is not a macro economic issue.	<p>A. Unemployment</p> <p>B. Inflation</p> <p>C. The wages paid to footballers</p> <p>D. Economic growth</p>
4	The sacrifice involved when you choose a particular course of action is called the	<p>A. Alternative</p> <p>B. Opportunity cost</p> <p>C. Consumer cost</p> <p>D. Producer cost</p>
5	An increase in national income is.	<p>A. Likely to increase exports</p> <p>B. Likely to decrease savings</p> <p>C. Likely to decrease investment</p> <p>D. Likely to increase spending on imports</p>
6	What does ceteris paribus mean.	<p>A. "Scientific method"</p> <p>B. "Rational thinking"</p> <p>C. "Other things remaining the same"</p> <p>D. "There is no such thing as a free lunch"</p>
7	A benefit to consumers of price discrimination is that	<p>A. Some products are produced that would not otherwise be produced</p> <p>B. Producer surplus increases</p> <p>C. Consumer surplus decreases</p> <p>D. Firms profits increase</p>
8	Lower interest rates are likely to.	<p>A. Decrease consumption</p> <p>B. Increase cost of borrowing</p> <p>C. Encourage saving</p> <p>D. Increase spending</p>
9	Aggregate demand refers to the total demand for all domestically produced goods and services in an economy generated from.	<p>A. The household and government sectors</p> <p>B. The household sector</p> <p>C. All sectors except the rest of the world</p> <p>D. All sectors including the rest of the world.</p>
10	If marginal utility is zero.	<p>A. Total utility is zero</p> <p>B. An additional unit of consumption will decrease total utility</p> <p>C. An additional unit of consumption will increase total utility</p> <p>D. Total utility is maximized</p>
11	A fall in interest rates is likely to	<p>A. Increase aggregate demand</p> <p>B. Increase savings</p> <p>C. Decrease consumption</p> <p>D. Decrease exports</p>
12	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>

13	Why might a country resist globalization.	<ul style="list-style-type: none"> A. Greater choice of final products B. Greater choice of supplies C. Greater competition for domestic firms D. More markets to sell to
14	The fundamental economic problem faced by all societies is.	<ul style="list-style-type: none"> A. Unemployment B. Inequality C. Poverty D. Scarcity
15	In the long run in perfect competition	<ul style="list-style-type: none"> A. Price = average= cost = marginal cost B. Price = average cost = total cost C. The price covers fixed cost D. total revenue = total variable cost
16	In the long run in perfect competition	<ul style="list-style-type: none"> A. the price equals the total revenue B. Firm are allocatively inefficient C. Firms are productively efficient D. the price equals total cost
17	Nationalization occurs when	<ul style="list-style-type: none"> A. The government bans a product B. The government takes control of an industry C. the government taxes a product to a raise the price. D. The government taxes a product to a raise its price.
18	An increase in aggregate demand if aggregate supply is totally inelastic will.	<ul style="list-style-type: none"> A. Increase price but not output B. Increase output but not price C. Increase out put and price D. Decrease output and price
19	A scarce good.	<ul style="list-style-type: none"> A. Does not exist B. Is a good that can only be purchased with money C. Is a good that can never be purchased with money D. Is a good that is available in limited quantities, but is desired in greater quantities.
20	According to classical models the level of employment is determined primarily by	<ul style="list-style-type: none"> A. Interest rates B. The level of prices C. The level of aggregate supply in the economy D. The level of aggregate demand for goods and services