

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	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>
2	If the marginal revenue is less than the marginal cost then to profit maximize a firm should.	<p>A. Reduce output</p> <p>B. Increase output</p> <p>C. Leave output where it is.</p> <p>D. Increase costs</p>
3	An economy may operate outside the production possibility frontier it.	<p>A. It is not utilizing its resources fully</p> <p>B. It is being productively efficient</p> <p>C. It is a mixed economy</p> <p>D. It is trading with other economics</p>
4	An injection of funds into a less developed country might set off the	<p>A. Multiplier</p> <p>B. Marginal propensity to save</p> <p>C. Average propensity to consume</p> <p>D. The Laffer effect</p>
5	An increase in aggregate demand if aggregate supply is totally inelastic will.	<p>A. Increase price but not output</p> <p>B. Increase output but not price</p> <p>C. Increase output and price</p> <p>D. Decrease output and price</p>
6	If labour productivity per week is 200 units and there are 5 employees what is the total output.	<p>A. 40 units</p> <p>B. 195 units</p> <p>C. 1000 units</p> <p>D. 200 units</p>
7	Say's law states that	<p>A. Supply creates its own demand</p> <p>B. Demand creates its own supply</p> <p>C. There is no such things as a free lunch</p> <p>D. Macro economics policy activism is essential to ensure full employment.</p>
8	The marginal propensity to consume is equal to.	<p>A. Total spending /total consumption</p> <p>B. total consumption/total income</p> <p>C. Change in consumption/change in income</p> <p>D. Change in consumption/change in savings</p>
9	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>
10	An increase in demand for a product should.	<p>A. Increase equilibrium price and quantity.</p> <p>B. Decrease equilibrium price and quantity.</p> <p>C. Increase equilibrium price and decrease quantity.</p> <p>D. Decrease equilibrium price and increase quantity.</p>
11	Investment depend mainly on.	<p>A. Past levels of income</p> <p>B. Future expected profits</p> <p>C. Present national income levels</p> <p>D. Historic data</p>
12	In perfect competition.	<p>A. the products firm offer are very similar</p> <p>B. Products are heavily differentiated</p> <p>C. A few firms dominate the market</p> <p>D. Consumers have limited information</p>
13	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>

14	Over time the price of primary products tends to fall because.	<p>A. Demand is income elastic B. Supply is income elastic C. Of outward shifts in supply D. Demand is price elastic</p>
15	Which of the following is a policy instrument .as opposed to a government objective.	<p>A. Lower interest rates B. A better balance of trade position C. Faster economic growth D. Lower un employment</p>
16	A welfare less occurs in monopoly where	<p>A. The price in greater than the marginal cost B. The price is greater than the marginal benefit C. The price is greater than the average revenue D. Has the right to investigate monopolies and will assess each one on its own mertis</p>
17	What is the effect of imposing a fixed per unit tax on a good on its equilibrium price and quantity.	<p>A. Price falls, quantity rises B. Price rises, quantity falls C. Both price and quantity fall D. Both price and quantity rise</p>
18	To anticipate what the economy is going to do next the government will look at.	<p>A. Lagging indicators B. Flashing indicators C. Coincidental iindicators D. Leading indicators</p>
19	For perfectly competitive firm	<p>A. Price equals marginal revenue B. Price is greater than marginal revenus C. Price equal total revenue D. Price equals total cost</p>
20	The resources in the economy do not include.	<p>A. Demand B. Land C. Labor D. Capital</p>