

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	If the economy grows the government's budget position will automatically	A. Worsen B. Improve C. Stay the same D. Increase with inflaction
2	When an economy first begins to frow more slowly.	A. GDP increase B. Inflation is likely to increase C. Stock levels are likely to increse D. Investment in equipment is likely to increase
3	If the price is less than the average cost but higher than the average variable costs.	A. The firm is making a loss and will should own in the short term. B. The firm is making a profit. C. The firm is making a loss but will continue to produce in the short term. D. The firm is making a loss and is making a negative contribution to fixed costs
4	In monopoly in long run equilibrium.	A. The firm is productively efficient B. The firm is allocatively inefficient C. The firm produces where marginal cost is less than marginal revenue D. The firm produces at the sociality optimal level
5	Supply is likely to be more price elastic.	A. In the short run rather than the long run B. If factors of production are relatively immobile between industries. C. If there are very few producers D. If it is easy to expand output
6	Which of the following is not likely to be a government objective.	A. Increasing employment     B. Increasing economic growth     C. Increasing government spending     D. Increasing the level of exports
7	An increase in consumption at any given level of income is likely to lead to.	A. a fall in savings B. An increase in exports C. A fall in taxation revenue D. A decrease in import spending
8	In the short term a firm will produce provided the revenue	A. Covers fixed costs B. Covers variable costs C. Covers total costs D. Covers revenue
9	Which of the following is a possible government objective as opposed to a policy.	A. Lower interest rates B. Lower taxation rates C. Lower government spending D. Lower inflection
10	Economics given can be shown by	A. An inward shift of the production possibility frontier B. A movement down the production possibility frontier C. An outward shift of the production possibility frontier D. A movement up the production possibility frontier
11	The effects of inflation on the price competitiveness of a country's products may be offset by	A. An appreciation of the currency     B. A revaluation of the currency     C. A depreciation of the currency     D. Lower inflation abroad
12	The economists who emphasized wage flexibility as a solution for unemployment were.	A. Monetarists B. New keynesians C. Classical economists D. Keynesians
		A. Monopolies are inefficient

13	According to schumpater	B. Monopoly profits act as an incentive for innovation C. Monopolies are allocatively efficient D. Monopolies are productively efficient
14	According to the quantity theory of money an increase in the money supply is most likely to lead ot inflation if	A. The velocity of circulation decreases B. The number of transactions decreases C. There is deflation D. The velocity of circulation and the number of transactions is constant
15	If the marginal revenue is less than the marginal cost then to profit maximize a firm should.	A. Reduce output B. Increase output C. Leave output where it is. D. Increase costs
16	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     D. Total utility is maximized
17	Free trade is based on the principle of	A. Comparative advantage     B. Comparative scale     C. Economics of advantage     D. Production possibility advantage
18	Compared to the case of perfect competition, a monopolist is more likely to	A. Charge a higher price B. Produce a lower quantity of the product C. Make a greater amount of economic profit D. All of the above
19	If a maximum price is set below equilibrium there will be.	A. A price fall B. A price increase C. Excess supply D. Excess demand
20	The marginal Revenue product is.	A. Upward sloping due to the law of demand B. Upward sloping due to the law of marginal utility C. Downward sloping due to the law of diminishing returns. D. Downward sloping due to the law of supply