

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	If input price adjusted very slowly to output prices, the Phillip's curve would be.	A. Downward sloping B. Vertical or nearly vertical C. Upward sloping D. Horizontal or nearly horizontal
2	An outward shift in the marginal efficacy of capital should.	A. Decrease consumption B. Increase aggregate demand C. Reduce aggregate supply D. Slow economic growth
3	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
4	The average variable cost curve.	A. Is derived from the average fixed costs B. Converges with the average cost as output increases C. Equals revenue minus profits D. Equal the total costs divided by the output
5	A profit maximizing firm will employ labour up to the point where.	A. Marginal revenue = Marginal product B. Marginal cost = Marginal product C. Marginal revenue product = Average cost of labour D. Marginal revenue product = Marginal cost of labour
6	A public good will	A. Be underprovided in the free market B. Be overprovided in the free market C. Not be provided in the free market D. Has no opportunity cost
7	A reduction in the costs of production will	A. Lead to a movement along the supply curve B. Shift the demand curve C. Shift the supply curve D. Lead to an extension of supply
8	Prices that do not always adjust rapidly to maintain equality between quantity supplied and quantity demanded are.	A. Market prices B. Sticky prices C. Fixed prices D. Regulatory prices
9	If the price was fixed below the equilibrium price there would be.	A. Excess supply B. Excess demand C. Equilibrium D. Down ward pressure on prices
10	Which of the following is not involved with fiscal policy.	A. Income tax B. National insurance C. VAT D. Interest rates
11	If the exchange rate is above the equilibrium level.	A. There is excess demand and the exchange rate will fall B. There is excess supply and the exchange rate will fall C. There is excess demand and the exchange rate will rise D. There is excess supply and the exchange rate will rise
12	To reduce cyclical unemployment the government might.	A. Increase the budget surplus B. Increase the balance of payments deficit C. Reduce interest rates D. Reduce government expenditure
13	If the price in a market is fixed by the government above equilibrium.	A. There is excess equilibrium B. There is excess supply C. There is excess demand D. There is excess demand and the price will rise

		C. There is excess demand D. There is equilibrium
14	If injections are greater than withdrawals.	A. National income will increase B. National income will decrease C. National income will stay in equilibrium D. Price will fall
15	The law of demand states that.	A. As the quantity demanded rises, the price rises. B. As the price rises the quantity demanded rises C. As the price rises, the quantity demanded falls. D. As supply rises, the demand rises.
16	Increase in employment benefits and less incentive to work 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
17	The profit per scale is a measure of.	A. Profit B. Profitability C. Feasibility D. Realism
18	If there is a price floor there will be.	A. Shortages B. Surpluses C. Equilibrium D. All of these
19	A significant increase in the government budget deficit is likely to.	A. Reduce injections into the economy B. Reduce national income C. Move the economy away from full employment D. Boost aggregate demand
20	There are three fundamental questions every society must answer Which of the following is one of these questions.	A. What goods and services are to be produced. B. How are the good and services to be produced. C. Who will get the goods and services what are produced. D. All of the above