

PPSC Economics Topic 1 Basic Economics

Cr.	Questions	Answers Choice
Sr	Questions	
1	The sacrifice involved when you choose a particular course of action is called the	A. Alterative B. Opportunity cost C. Consumer cost D. Producer cost
2	The goal of a pure market economy is to best meet the desires of.	A. Consumers B. Companies C. Workers D. The government
3	According to Keynes, the level of employment is determined by	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.
4	When referring to economic growth we normally refer to.	A. Growth in actual real per capita output B. Growth in potential real per capita output C. Growth in actual nominal per capita output D. Growth in potential real per capita output
5	To prevent the external value of the currency from failing the government might	A. Reduce interest rates B. Sell its own currency C. Buy its own currency with foreign reserves D. Increase its own spending
6	Which does the government not control directly.	A. Spending on health B. spending on defense C. Firm's investment decisions D. spending on education
7	If a few firms dominate an industry the market is known as.	A. Monopolistic competitionB. Competitively monopolisticC. DuopolyD. Oligopoly
8	World trade has been increasing due to.	A. Increased tariffs B. Increased legal barriers C. Increased embargoes D. Reduced protectionism
9	Which of the following is not one of the four Ps in marketing.	A. Product B. Price C. Place D. Presence
10	Open market operations occur when the government.	A. Reduces the interest rate B. Buys and sells bonds and securities C. Increases taxation D. Increases the exchange rate
11	A profit maximizing firm will employ labour up to the point where.	A. Marginal revenue = Marginal product B. Margial cost = Marginal product C. Marginal revenue product = Average cost of labour D. Marginal revenue product = Marginal cost of labour
12	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
13	As the MPS increases, the multiplier will	A. Increase B. Either increase or decrease depending on the size of the change in investment

		C. Remain constant D. Decrease
14	Any combination of products inside the production possibility frontier is	A. Allocatively inefficient B. X inefficient C. Consumer inefficient D. Productively inefficient
15	A contraction in supply occurs when	A. Demand shifts out wards B. The supply curve shifts inwards C. The quantity supplied falls when the price falls D. The supply curve shifts outwards
16	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 D. Un employment
17	In monopoly when abnormal profits are made.	A. The prize set is greater than the marginal cost B. The price is less than the average cost C. The average revenue equals the marginal cost D. Revenue wquals total cost
18	If the fprice in a market is fixed by the government below equilibrium.	A. There is excess equilibrium B. There is excess supply C. There is excess demand D. There is equilibrium
19	The law of diminishing returns states that as more of a variable factor is added to a certain amount of a fixed factor beyond some point.	A. Total Physical product begins to fall B. The marginal physical product rises C. The marginal physical product falls D. The average physical product falls.
20	Which of the following is a characteristic of pure monopoly.	A. one seller of the product B. Low barriers to entry C. Close substitute products D. Perfect information