

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Why does it make sense in assume that people are rational, if you want to predict their behavior.	<p>A. People are not guided by emotions when making decisions</p> <p><b>B. People who act in the way that best gets them what they want will tend to repeat that behavior, and will tend to learn from mistakes that they do make</b></p> <p>C. People never make mistakes, and tend to make the correct choices all of the time</p> <p>D. People always logically figure out what to do.</p>
2	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</p> <p><b>B. Price rises, quantity falls</b></p> <p>C. Both price and quantity fall</p> <p>D. Both price and quantity rise</p>
3	In land intensive method which mean production is used comparatively more	<p>A. Labour</p> <p><b>B. Land</b></p> <p>C. Capital</p> <p>D. Organization</p>
4	A government might use tax to.	<p>A. Discourage consumption of positive externalities</p> <p>B. Discourage consumption of public goods</p> <p>C. Discourage consumption of merit goods</p> <p><b>D. Discourage consumption of negative externalities</b></p>
5	If the marginal revenue is less than the marginal cost then to profit maximize a firm should.	<p><b>A. Reduce output</b></p> <p>B. Increase output</p> <p>C. Leave output where it is.</p> <p>D. Increase costs</p>
6	If one car company takes over another car company this is an example of which type of integration.	<p>A. Vertical</p> <p><b>B. Horizontal</b></p> <p>C. Conglomerate</p> <p>D. Literal</p>
7	With a positive externality	<p><b>A. There is under consumption in the free market</b></p> <p>B. There is over consumption in the free market</p> <p>C. The government may tax to decrease production</p> <p>D. Society could be made off if less was produced</p>
8	Which of the following is not an argument for protectionism.	<p>A. To protect infant industries</p> <p><b>B. To increase the level of imports</b></p> <p>C. To protect strategic industries</p> <p>D. To improve the balance of payments</p>
9	Free trade is based on the principle of	<p><b>A. Comparative advantage</b></p> <p>B. Comparative scale</p> <p>C. Economics of advantage</p> <p>D. Production possibility advantage</p>
10	Why might a country resist globalization.	<p>A. Greater choice of final products</p> <p>B. Greater choice of supplies</p> <p><b>C. Greater competition for domestic firms</b></p> <p>D. More markets to sell to</p>
11	The precautionary demand for money is	<p>A. An idle balance</p> <p><b>B. An active balance</b></p> <p>C. Directly related to interest rates</p> <p>D. Inversely related to income</p>
12	An increase in aggregate demand if aggregate supply is totally inelastic will.	<p><b>A. Increase price but not output</b></p> <p>B. Increase output but not price</p> <p>C. Increase both price and output</p> <p>D. Decrease both price and output</p>

		C. Increase output and price D. Decrease output and price
13	Which of the following is a policy instrument as opposed to a government objective.	A. Lower interest rates B. A better balance of trade position C. Faster economic growth D. Lower unemployment
14	Equilibrium in the market for good A obtains.	A. When there is no surplus or shortage prevailing in the market B. Where the demand and supply curves for A intersect C. When all of what is produced of A is consumed D. All of the above
15	Price equal to.	A. Total revenue - quantity B. Total revenue/quantity sold C. total quantity sold * quantity sold D. Total revenue/total cost
16	A profit maximizing firm in perfect competition produces where	A. Total revenue is maximized B. Marginal revenue equals zero C. Marginal revenue equals marginal cost D. Marginal revenue equals average cost
17	Which of the following is not one of the basic economic questions.	A. What to produce B. Who to produce for C. How to produce D. How to maximize economic growth
18	The demand for a product would be more inelastic.	A. The greater is the time under consideration B. The greater is the number of substitutes available to buyers C. The less expensive is the product in relation to incomes D. all of the above.
19	Profit making is basic motive in.	A. Socialism B. Mixed economy C. Communism D. Capitalism
20	The marginal propensity to consume in a less Developed Country is likely to be.	A. Less than 0 B. Nearly 0 C. High D. Low