

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	The law of diminishing returns assumes.	A. There are not fixed factors of production B. There are no variable factors of production C. Utility is maximized when marginal product falls. <b>D. Some factors of production are fixed</b>
2	Laboratory experiments cannot be performed in economics because.	A. Of resource scarcity B. Economics is a natural science C. Of the difficulty of distinguishing between normative and positive statements. <b>D. Economics is a social science</b>
3	The marginal rate of tax paid is.	A. The total tax paid /total income B. Total income/total tax paid <b>C. Change in the tax paid/change in income</b> D. Change in income/change in tax paid
4	Finding a partner to work with abroad is called a.	A. Takeover B. Merger C. Acquisition <b>D. Joint venture</b>
5	Which kind economics deals with issues such as unemployment inflation, and economic growth.	<b>A. Macro economics</b> B. Micro economics C. Growth economics D. Political economics
6	Human wants are	A. Always fixed B. Limited <b>C. Unlimited</b> D. Likely to decrease over time
7	Exchange rates that are determined by the unregulated forces of supply and demand are.	<b>A. Floating exchange rates</b> B. Pegged exchange rates C. Fixed exchange rate D. Managed exchange rates
8	What does ceteris paribus mean.	A. "Scientific method" B. "Rational thinking" <b>C. "Other things remaining the same"</b> D. "There is no such thing as a free lunch"
9	Which does the government not control directly.	A. Spending on health B. spending on defense <b>C. Firm's investment decisions</b> D. spending on education
10	To anticipate what the economy is going to do next the government will look at.	A. Lagging indicators B. Flashing indicators C. Coincidental iindicators <b>D. Leading indicators</b>
11	An increase in interest rates.	A. Is likely to reduce savings B. Is likely to reduce the external value of the currency C. Leads to a shift in the MEC schedule <b>D. Leads to a movement along the MEC schedule</b>
12	Menu costs in relation to inflation refer to	A. Costs of finding better rates of return B. Costs of altering price lists <b>C. Costs of money increasing its value</b> D. Costs of revaluing the currency

**A. Reduce output**

13	If the marginal revenue is less than the marginal cost then to profit maximize a firm should.	B. Increase output C. Leave output where it is. D. Increase costs
14	Horizontal integration may lead to internal economics of scale. Which of the following is not a type of internal economy of scale.	A. Purchasing B. Technical C. Financial D. Safety
15	According to the quantity theory of money an increase in the money supply is most likely to lead to 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
16	According to the law of diminishing utility.	A. Utility is at a maximum with the first unit B. Increasing units of consumption increase the marginal utility C. Marginal product will fall as more units are consumed D. Total utility will rise at a falling rate as more units are consumed
17	Acquisition and merger are examples of.	A. Internal growth B. External growth C. Organic growth D. Underlying growth
18	Injection are	A. Assumed to be exogenous B. Assumed to be a function of national income C. Decrease aggregate demand D. Decrease the investment into an economy
19	The marginal propensity to consume in a less Developed Country is likely to be.	A. <sub>Less than 0</sub> B. Nearly 0 C. High D. Low
20	In economics, the term 'scarcity' refers to the fact that	A. Everything worthwhile costs money B. No society is able to produce enough to fully satisfy the desires of people for goods. C. Even in wealthy societies, like the united states, some people are poor D. sometimes shortages of product result if its price is set too low. E. In any urban area there are people who have had healed wounds