

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	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
2	An increase in national income is.	A. Likely to increase exports B. Likely to decrease savings C. Likely to decrease investment D. Likely to increase spending on imports
3	If firm earn normal profits.	A. They will aim to leave the industry B. Other firms will join the industry C. The revenue equals total costs D. No profit is made in accounting terms
4	"Income inequality can be high in the free market and should be reduce ".This is an example of what.?	A. Judicial economic statement. B. Positive economic statement C. Formative economic statement D. Normative economic statement
5	A shift in supply will have a bigger effect on price than output if demand is.	A. Income elastic B. Income inelastic C. Price elastic D. Price inelastic
6	Globalization is made more difficult by	A. The actions of the World Trade Organization B. The removal of protectionist measures C. Exchange rate instability D. More free trade agreements
7	What does ceteris paribus mean.	A. "Scientific method" B. "Rational thinking" C. "Other things remaining the same" D. "There is no such thing as a free lunch"
8	Which of the following is not a way of helping developing economics.	A. Aid B. Loans C. Protectionism of developed markets D. Training and education programmes
9	A government might use tax to.	A. Discourage consumption of positive externalities B. Discourage consumption of public goods C. Discourage consumption of merit goods D. Discourage consumption of negative externalities
10	When internal economics of scale occur	A. Total costs fall B. Marginal costs increase C. Average costs fall D. Revenue falls
11	According to classical models the level of employment is determined primarily 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
12	To adjust from gross National Product to Net National Product	A. Deduct depreciation B. Deduct indirect taxes C. Deduct subsidies D. Add inflation
		A. Monetarists

13	The economists who emphasized wage flexibility as a solution for unemployment were.	B. New Keynesians C. Classical economists D. Keynesians
14	In perfect competition.	A. The price equals the marginal revenue B. The price equals the average variable cost C. The fixed cost equals the variable costs D. The price equals the total costs
15	A study of how increase in the minimum wage rate will effect the national unemployment rate is an example of.	A. Descriptive economics B. Normative economics C. Macro economics D. Micro economics
16	Game theory	A. Firms are assumed to act independently B. Firms are assumed to cooperate with each other C. Firms collude as part of a cartel D. Firms consider the actions of others before deciding what to do.
17	A fall in interest rates is likely to	A. Increase aggregate demand B. Increase savings C. Decrease consumption D. Decrease exports
18	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 D. Leads to a movement along the MEC schedule
19	The profit per scale is a measure of.	A. Profit B. Profitability C. Feasibility D. Realism
20	What does the phrases "there is no such thing as a free lunch" mean"	A. Individuals must always pay money for the food they eat. B. No restaurant owner will provide food to patrons unless they pay her C. Restaurant owners act selfishly D. Consumption of any good requires that other goods be given up