

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Capital, as economists use the term.	A. Is the money the firm spends to hire resources B. Is money the firm raises from selling stock C. Refers to the process by which resources are transformed into useful forms D. Refers to things that have already been produced that are in turn used to produce other goods and services.
2	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 are there are people who have had healed wounds
3	An increase in consumption at any given level of income is likely to lead to.	A. a fall in savings B. An increase in exports C. A fall in taxation revenue D. A decrease in import spending
4	The free market involves	A. The free provision of products B. The subsidizing of products by the government C. Market forces of supply and demand D. All trade via barter
5	A mixed economy	A. Has supply but not demand B. Has demand but not supply C. Has supply and demand D. Has market forces and government intervention
6	An increase income will	A. Lead to a movement along the demand curve B. Shift the supply curve C. Shift the demand curve D. Lead to an extension of demand
7	Which of the following can the government not use directly to control the economy.	A. Pay rates within the privates sector B. Pay rates in the public sector C. Investment in education D. Benefits available for the unemployed and sick
8	Demand pull inflation may be caused by	A. An increase in costs B. A reduction in interest rate C. A reduction in government spending D. An outward shift in aggregate supply
9	Sales taxes are generally considered to be.	A. Proportional taxes B. Regressive taxes C. Progressive taxes D. Indirect taxes
10	The resources in the economy do not include.	A. Demand B. Land C. Labor D. Capital
11	Less Developed countries tend to have	A. A high average age B. A slow population growth rate C. High life expectancy

12 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. Unemployment

13 The accelerator assumes.

A. The marginal propensity to consume is constant
B. The economy is at full employment
C. There is a constant relationship between net investment and the rate of change of output
D. The multiplier is constant

14 The price mechanism cannot.

A. Act as a signal
B. Act as an incentive
C. Act as a rationing device
D. Shift the demand curve

15 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

16 The effects of inflation on the price competitiveness of a country's products may be offset by

A. An appreciation of the currency
B. A revaluation of the currency
C. A depreciation of the currency
D. Lower inflation abroad

17 The accelerator theory of investment says that induced investments determined by.

A. The rate of change of national income
B. Expectations
C. The level of national income
D. The level of aggregate demand

18 Which of the following best defines price discrimination.

A. Charging different prices on the basis of race
B. Charging different prices for goods with different costs of production
C. Charging different prices based on cost of service differences.
D. Selling a certain product of given quality and cost per unit at different prices to different buyers

19 Occupational immobility of labour occurs if.

A. People lack information
B. People do not want to work
C. People do not have the right skills to work
D. People cannot afford to move location

20 Increased levels of spending on imports

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
