

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Demand for labour is more likely to be wage inelastic if.	<p>A. Wages are a small proportion of total costs</p> <p>B. Demand for the final product is price elastic</p> <p>C. It is easy to replace labour</p> <p>D. Capital is a good substitute for labour</p>
2	If the exchange rate is above the equilibrium level.	<p>A. There is excess demand and the exchange rate will fall</p> <p>B. There is excess supply and the exchange rate will fall</p> <p>C. There is excess demand and the exchange rate will rise</p> <p>D. There is excess supply and the exchange rate will rise</p>
3	When referring to economic growth we normally refer to.	<p>A. Growth in actual real per capita output</p> <p>B. Growth in potential real per capita output</p> <p>C. Growth in actual nominal per capita output</p> <p>D. Growth in potential real per capita output</p>
4	If the price elasticity is -0.3 this means.	<p>A. Demand is upward sloping</p> <p>B. Demand is price elastic</p> <p>C. A price fall would increase revenue</p> <p>D. Demand is price inelastic</p>
5	In a recession a government.	<p>A. Is likely to want to increase demand in the economy</p> <p>B. Is likely to want to decrease demand in the economy</p> <p>C. Is likely to want to stabilize demand in the economy</p> <p>D. Is likely to want to increase supply in the economy</p>
6	The free market involves	<p>A. The free provision of products</p> <p>B. The subsidizing of products by the government</p> <p>C. Market forces of supply and demand</p> <p>D. All trade via barter</p>
7	A profit maximizing firm in perfect competition produces where	<p>A. Total revenue is maximized</p> <p>B. Marginal revenue equals zero</p> <p>C. Marginal revenue equals marginal cost</p> <p>D. Marginal revenue equals average cost</p>
8	All currencies other than the domestic currency of a given country are referred to as.	<p>A. Reserve currencies</p> <p>B. Neal monies</p> <p>C. Foreign exchange</p> <p>D. Hard currency</p>
9	Nationalization occurs when	<p>A. The government bans a product</p> <p>B. The government takes control of an industry</p> <p>C. the government taxes a product to raise the price.</p> <p>D. The government taxes a product to raise its price.</p>
10	In monopolistic competition firms profit maximize where	<p>A. Marginal revenue = average revenue</p> <p>B. Marginal revenue = Marginal cost</p> <p>C. Marginal revenue = Average cost</p> <p>D. Marginal revenue = Total cost</p>
		<p>A. Real GDP per capita</p> <p>B. Real GDP</p>

11	The standard of living is often measured by	B. Real GDP C. Real GDP * Population D. Real GDP Plus depreciation
12	When supply increases in an agricultural market farmer's earnings might fall because.	A. Supply is price elastic B. Demand is price inelastic C. the government buys up all the excess production D. All output must be sold at a maximum price
13	Developing economics usually have	A. Low GDP per capita B. Low CPI C. Large balance of payments surpluses D. Large budget surpluses
14	Which of the following is not a global organization?	A. IMF B. World bank C. Competition commission D. WTO
15	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
16	The resources in the economy do not include.	A. Demand B. Land C. Labor D. Capital
17	In monopoly when abnormal profits are made.	A. The price 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 equals total cost
18	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
19	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
20	In a less developed country.	A. The infrastructure is likely to be good. B. Real wages are likely to be high C. Unemployment is likely to be low D. The primary sector is likely to be significant