

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Economists use the term utility to mean	<p>A. The value of a product before it has been advertised</p> <p><b>B. The satisfaction a consumer obtains from a good or service</b></p> <p>C. any characteristic of a good or service which cannot be measured</p> <p>D. The contribution a good or service makes to social welfare</p>
2	A public good will	<p>A. Be underprovided in the free market</p> <p>B. Be overprovided in the free market</p> <p><b>C. Not be provided in the free market</b></p> <p>D. Has no opportunity cost</p>
3	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>
4	An increase in interest rates.	<p>A. Is likely to reduce savings</p> <p>B. Is likely to reduce the external value of the currency</p> <p>C. Leads to a shift in the MEC schedule</p> <p><b>D. Leads to a movement along the MEC schedule</b></p>
5	Ordinal measurement approach was not presented by	<p>A. Allen</p> <p>B. Hicks</p> <p>C. Edge worth</p> <p><b>D. Robbins</b></p>
6	Which of the following is a determinant of consumption.	<p>A. Expectations about future prices</p> <p>B. Level of indebtedness of consumers</p> <p>C. The price level</p> <p><b>D. All of the above</b></p>
7	A depreciation of currency occur when	<p><b>A. The value of the currency falls</b></p> <p>B. The value of the currency increases</p> <p>C. Inflation falls</p> <p>D. The balance of payments improves</p>
8	Investment is an out stable element of aggregate demand because is depends heavily on.	<p>A. Government policy</p> <p><b>B. Expectations</b></p> <p>C. National income</p> <p>D. Historic trends</p>
9	The difference between gross investment and net investment is.	<p><b>A. Depreciation</b></p> <p>B. Acceleration</p> <p>C. Deceleration</p> <p>D. Capital investment</p>
10	To maximize sales revenue a firm should produce where	<p>A. Marginal cost is zero</p> <p>B. Marginal revenue is maximized</p> <p><b>C. Marginal revenue is zero</b></p> <p>D. Marginal revenue equals marginal cost</p>
11	Normal profit occurs when	<p>A. Average revenue equals average variable cost</p> <p>B. Marginal revenue equals marginal cost</p> <p>C. Average revenue equals marginal cost</p> <p><b>D. Average revenue equals average cost</b></p>
12	Globalization is likely to increase with	<p>A. More protectionism</p> <p>B. An increase in tariffs</p> <p><b>C. More trade within countries</b></p> <p>D. More trade between countries</p>

D. Greater trade flows between countries

13	An increase in productivity should.	A. Lead to a contraction of supply B. Lead to an expansion of supply C. Lead to a shift in supply outwards D. Lead to higher equilibrium and lower equilibrium quantity.
14	In a recession a government.	A. Is likely to want to increase demand in the economy B. Is likely to want to decrease demand in the economy C. Is likely to want to stabilize demand in the economy D. Is likely to want to increase supply in the economy
15	All currencies other than the domestic currency of a given country are referred to as.	A. Reserve currencies B. Neal monies C. Foreign exchange D. Hard currency
16	An increase in price all other, things unchanged leads to.	A. Shift demand outwards B. Shift demand inward C. A contraction of demand D. An extension of demand
17	In marketing "USP " Stand for	A. Unique selling proposition B. Underlying sales pitch C. Unit sales point D. Under sales procedure
18	The sacrifice involved when you choose a particular course of action is called the	A. Alterative B. Opportunity cost C. Consumer cost D. Producer cost
19	The marginal Revenue product is.	A. Upward sloping due to the law of demand B. Upward sloping due to the law of marginal utility C. Downward sloping due to the law of diminishing returns. D. Downward sloping due to the law of supply
20	Unfair competition does not include	A. Price cutting B. predatory pricing C. Cartels D. Price fixing