

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Finding a partner to work with abroad is called a.	A. Takeover B. Merger C. Acquisition D. Joint venture
2	The marginal rate of tax paid is.	A. The total tax paid /total income B. Total income/total tax paid C. Change in the tax paid/change in income D. Change in income/change in tax paid
3	If the marginal revenue is positive	A. Selling another unit will increase total revenue B. Selling another unit will increase profits C. Selling another unit will increase cost D. Selling another unit will increase average revenue
4	The diamond water paradox can be explained by suggesting that the price of a product is determined by.	A. Consumer incomes B. Its marginal utility C. Consumer surplus D. Diminishing marginal utility
5	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
6	To prevent the external value of the currency from falling the government might	A. Reduce interest rates B. Sell its own currency C. Buy its own currency with foreign reserves D. Increase its own spending
7	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
8	When an economy first begins to grow more slowly.	A. GDP increase B. Inflation is likely to increase C. Stock levels are likely to increase D. Investment in equipment is likely to increase
9	In monopolistic competition	A. Demand is perfectly elastic B. Products are homogeneous C. Marginal revenue = price D. The marginal revenue is below the demand curve and diverges
10	As income increases.	A. the average propensity to consume gets nearer in value to the marginal propensity to consume B. the average propensity to consume diverges in value from the marginal propensity to consume C. the average propensity to consume falls D. The average propensity to consume always approaches 0
11	If input price adjusted very slowly to output prices, the Phillip's curve would be.	A. Downward sloping B. Vertical or nearly vertical C. Upward sloping D. Horizontal or nearly horizontal

12	The standard of living is often measured by	<ul style="list-style-type: none"> <li>A. Real GDP per capita</li> <li>B. Real GDP</li> <li>C. Real GDP * Population</li> <li>D. Real GDP Plus depreciation</li> </ul>
13	Less demand in the economy may increase unemployment this may lead to less spending which may reduce demand further This is called.	<ul style="list-style-type: none"> <li>A. The upward accelerator</li> <li>B. The downward multiplier</li> <li>C. The upward PPF</li> <li>D. The downward MPC</li> </ul>
14	An expansionist fiscal policy could include	<ul style="list-style-type: none"> <li>A. Lower interest rates</li> <li>B. Increased lending by the banks</li> <li>C. An increase in corporation tax</li> <li>D. An increase in discretionary government spending</li> </ul>
15	The precautionary demand for money is	<ul style="list-style-type: none"> <li>A. An idle balance</li> <li>B. An active balance</li> <li>C. Directly related to interest rates</li> <li>D. Inversely related to income</li> </ul>
16	Open market operations occur when the government.	<ul style="list-style-type: none"> <li>A. Reduces the interest rate</li> <li>B. Buys and sells bonds and securities</li> <li>C. Increases taxation</li> <li>D. Increases the exchange rate</li> </ul>
17	Why is the law of diminishing marginal returns true.	<ul style="list-style-type: none"> <li>A. specialization and division of labor</li> <li>B. Spreading the average fixed cost</li> <li>C. Limited capital</li> <li>D. All factors being variable in the long run</li> </ul>
18	A public good	<ul style="list-style-type: none"> <li>A. Is provided by the government</li> <li>B. Is free</li> <li>C. Has the properties of being non excludable and non diminishable</li> <li>D. Has external costs</li> </ul>
19	Who advocates laissez fair.	<ul style="list-style-type: none"> <li>A. Monetarists</li> <li>B. Classical</li> <li>C. Neo classical</li> <li>D. Modern</li> </ul>
20	The resources in an economy are	<ul style="list-style-type: none"> <li>A. Constantly increasing</li> <li>B. Fixed at any moment</li> <li>C. Constant decreasing</li> <li>D. Able to be transferred easily between industries</li> </ul>