

PPSC Economics Topic 1 Basic Economics

| Sr | Questions | Answers Choice |
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| 1 | The best describes consumer surplus. | <p>A. The price consumers are willing to pay for a unit</p> <p>B. The cost of providing a unit.</p> <p>C. The profits made by a firm</p> <p>D. The difference the price a consumer pays for an item and the price he is willing to pay.</p> |
| 2 | As the MPS increases, the multiplier will | <p>A. Increase</p> <p>B. Either increase or decrease depending on the size of the change in investment</p> <p>C. Remain constant</p> <p>D. Decrease</p> |
| 3 | To reduce cyclical unemployment the government might. | <p>A. Increase the budget surplus</p> <p>B. Increase the balance of payments deficit</p> <p>C. Reduce interest rates</p> <p>D. Reduce government expenditure</p> |
| 4 | A benefit to consumers of price discrimination is that | <p>A. Some products are produced that would not otherwise be produced</p> <p>B. Producer surplus increases</p> <p>C. Consumer surplus decreases</p> <p>D. Firms profits increase</p> |
| 5 | "Reducing inflation is a more important objective than economic growth" is an example of. | <p>A. Normative economics</p> <p>B. Positive economics</p> <p>C. Objective economics</p> <p>D. Reality economics</p> |
| 6 | The concept of "Interdependence of markets" can refer to the interdependence between. | <p>A. Two or more factor markets</p> <p>B. Goods and factor markets</p> <p>C. Goods markets</p> <p>D. All of the above</p> |
| 7 | In a recession, GDP. | <p>A. Grows negatively</p> <p>B. Grows by 0%</p> <p>C. Grows slowly</p> <p>D. Grows rapidly</p> |
| 8 | Which is the most volatile component of aggregate demand. | <p>A. Net exports</p> <p>B. Consumption</p> <p>C. Investment</p> <p>D. Government spending</p> |
| 9 | If there is cyclical unemployment in the economy the government might. | <p>A. Increase interest rates</p> <p>B. Encourage savings</p> <p>C. Cut taxes</p> <p>D. Reduce government spending</p> |
| 10 | For perfectly competitive firm | <p>A. Price equals marginal revenue</p> <p>B. Price is greater than marginal revenue</p> <p>C. Price equal total revenue</p> <p>D. Price equals total cost</p> |
| 11 | To maximize sales revenue a firm should produce where | <p>A. Marginal cost is zero</p> <p>B. Marginal revenue is maximized</p> <p>C. Marginal revenue is zero</p> <p>D. Marginal revenue equals marginal cost</p> |
| 12 | A supply curve that starts at the origin has | <p>A. A price elasticity of supply greater than one</p> <p>B. A price elasticity of supply equal to one</p> <p>C. A price elasticity of supply less than one</p> <p>D. A positive price elasticity of supply</p> |
| 13 | If inflationary expectations increase, the short run Phillip's curve will | <p>A. Become vertical</p> <p>B. Become up warding sloping</p> <p>C. Shift to the right</p> |

| | | D. Shift to the left |
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| 14 | 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 |
| 15 | What does the phrase "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. |
| 16 | Investment depends mainly on. | A. Past levels of income B. Future expected profits C. Present national income levels D. Historic data |
| 17 | Injection are | A. Assumed to be exogenous B. Assumed to be a function of national income C. Decrease aggregate demand D. Decrease the investment into an economy |
| 18 | An expansionist fiscal policy could include | A. Lower interest rates B. Increased lending by the banks C. An increase in corporation tax D. An increase in discretionary government spending |
| 19 | An increase in investment is most likely to be caused by. | A. Lower interest rates B. Lower national income C. A decreasing the marginal propensity to consume D. An increase in investment with drywalls. |
| 20 | An increase in the marginal propensity to consume will | A. Increase the size of the multiplier B. Increase the marginal propensity to save C. Decrease national income D. Reduce injections into the economy |