

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	The public sector includes.	A. Investors owning companies     B. Government ownership of assets     C. Market forces of supply and demand     D. All trade via barter
2	Increase un employment benefits and less incentive to work would.	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
3	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 un employed and sick
4	Which of the following is not an obvious or direct determinant of a country's imports.	A. Real exchange rate B. Income C. Tariff rates D. Interest rate
5	Profit is measured by	A. Revenue - Fixed costs B. Fixed cost + revenue C. Revenue - sales D. Revenues - total costs
6	A shift in supply will have a bigger effect on price than output if demand is.	A. Income elastic     B. Income inelastic     C. Price elastic     D. Price inelastic
7	To be productively efficient a firm must produce where	A. Marginal costs are maximized B. Marginal costs are minimized C. Average costs are minimized D. Average revenue is maximized
8	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
9	Open market operations occur when the government.	A. Reduces the interest rate B. Buys and sells bonds and securities C. Increases taxation D. Increases the exchange rate
10	Supply is likely to be more price elastic.	A. In the short run rather than the long run B. If factors of production are relatively immobile between industries. C. If there are very few producers D. If it is easy to expand output
11	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
12	The demand for a product would be more inelastic.	A. The greater is the time under consideration B. The greater is the number of substitutes available to buyers C. The less expensive is the product

		In relation to incomes D. all of the above.
13	Globalization is likely to increase with	A. More protectionism     B. An increase in tariffs     C. More trade within countries     D. Greater trade flows between countries
14	Unfair competition does not include	A. Price cutting B. predatory pricing C. Cartels D. Price fixing
15	Compared to the case of perfect competition, a monopolist is more likely to	A. Charge a higher price     B. Produce a lower quantity of the product     C. Make a greater amount of economic profit     D. All of the above
16	To adjust from gross National Product to Net National Product	A. Deduct deprecation     B. Deduct indirect taxes     C. Deduct subsidies     D. Add inflation
17	In a free market the combination of products produced will be determined by.	A. Market forces of supply and demand B. The government C. The law D. The public sector
18	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
19	A cut in the income tax rate designed to encourage household consumption is an example of.	A. Expansionary demand side policy B. Contractionary demand side policy C. Expansionary supply side policy D. Contractionary supply side policy
20	The price mechanism does not act as a	A. Signal B. Incentive C. Rationing device D. Indicator of income