

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	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>
2	An increase in income will	<p>A. Lead to a movement along the demand curve</p> <p>B. Shift the supply curve</p> <p>C. Shift the demand curve</p> <p>D. Lead to an extension of demand</p>
3	Economics is the study of.	<p>A. All business, including how they operate why they exist and how they affect</p> <p>B. Decisions that people must make because goods and services are limited.</p> <p>C. How to save money, spend money, invest savings, and balance a checkbook</p> <p>D. The stock market, the bond market, and investment strategies</p> <p>E. Big business and its impact on our lives</p>
4	"Income inequality can be high in the free market and should be reduced". This is an example of what?	<p>A. Judicial economic statement</p> <p>B. Positive economic statement</p> <p>C. Formative economic statement</p> <p>D. Normative economic statement</p>
5	When supply increases in an agricultural market, farmers' earnings might fall because.	<p>A. Supply is price elastic</p> <p>B. Demand is price inelastic</p> <p>C. The government buys up all the excess production</p> <p>D. All output must be sold at a maximum price</p>
6	"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>
7	The resources in the economy do not include.	<p>A. Demand</p> <p>B. Land</p> <p>C. Labor</p> <p>D. Capital</p>
8	Which of the following would decrease aggregate demand.	<p>A. Increased consumption</p> <p>B. Increasing export revenue</p> <p>C. Increased taxation revenue</p> <p>D. Increased investment</p>
9	Globalization is made more difficult by	<p>A. The actions of the World Trade Organization</p> <p>B. The removal of protectionist measures</p> <p>C. Exchange rate instability</p> <p>D. More free trade agreements</p>
10	Any combination of products inside the production possibility frontier is	<p>A. Allocatively inefficient</p> <p>B. X inefficient</p> <p>C. Consumer inefficient</p> <p>D. Productively inefficient</p>
11	If the price elasticity of demand for a product in market A is -0.2 and in market B is -3, a price discriminator will charge.	<p>A. The higher price in market A</p> <p>B. The higher price in market B</p> <p>C. The same price in both markets</p> <p>D. There are many sellers</p>
		<p>A. Of resource scarcity</p> <p>B. Economics is a natural science</p> <p>C. Of the difficulty of distribution</p>

12	Laboratory experiments cannot be performed in economics because.	<p>C. Of the difficulty of distinguishing between normative and positive statements.</p> <p>D. Economics is a social science</p>
13	The price mechanism cannot.	<p>A. Act as a signal</p> <p>B. Act as an incentive</p> <p>C. Act as a rationing device</p> <p>D. Shift the demand curve</p>
14	Less Developed countries tend to have	<p>A. A high average age</p> <p>B. A slow population growth rate</p> <p>C. High life expectancy</p> <p>D. A low literacy rate</p>
15	The first level of output at which the long run average costs are minimized is called.	<p>A. The minimum Efficient Scale</p> <p>B. The minimum External scale</p> <p>C. The Maximum External scale</p> <p>D. The maximum Effective scale.</p>
16	In the long term a firm will produce provided the revenue covers.	<p>A. Fixed costs</p> <p>B. Variable cost</p> <p>C. Total costs</p> <p>D. Revenue</p>
17	Sales taxes are generally considered to be.	<p>A. Proportional taxes</p> <p>B. Regressive taxes</p> <p>C. Progressive taxes</p> <p>D. Indirect taxes</p>
18	A multinational business	<p>A. Sells products abroad</p> <p>B. Produces in more than one country</p> <p>C. Imports from abroad</p> <p>D. Sells only domestically</p>
19	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>
20	The length of a business cycle would be measured from	<p>A. Peak to trough</p> <p>B. Trough to peak</p> <p>C. Peak to Peak</p> <p>D. The slump to the expansion</p>