

PPSC Economics Topic 1 Basic Economics

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

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