

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	The estimated regression coefficient for good Y indicates	A. Goods X and Y are independent goods B. Good Y is relatively elastic C. Good Y is a luxury good D. Goods X and Y are complementary goods
2	Which of the following methods is used for internalizing positive externalities	A. Positive taxes B. Government exchange of property rights C. Effluent fees D. Corrective subsidies
3	The equation for a given production function is $Q = K^2 + KL$, initially $K = 2$ and $L = 1$ if the value of both inputs is doubled the production function exhibits	A. Increasing returns to scale B. Diseconomies of scale C. Constant returns to scale D. Economies of scale
4	What is the average money balance according to the square root rule if income is Rs.1500, each transaction cost is Rs.4, and the opportunity cost of holding money is 2%?	A. 387 B. 50 C. 175 D. 203
5	The long run foreign exchange rate between the U.S. and Japan is 200 Yen = Rs. 1 under a floating exchange rate. Which of the following does not occur if the Federal Reserve reduces the money supply in order to prevent the occurrence of inflation?	A. Foreign capital flows to the U.S. B. The U.S. dollar appreciates C. Real net exports decline D. American real GNP experiences a slower rate of growth
6	If the rate of growth of a full employment labor force is 1.55 and 2.55 then the ceiling rate of growth of real GNP, according to Hick's theory of a constrained business cycle, is	A. 1.5 % B. 2.55 C. 4.0% D. 1.7%
7	The impact of contractionary fiscal policy, according to new classical theory is that	A. Real interest rates do not change B. Aggregate demand increases C. Current real output substantially decreases D. The price level substantially increases.
8	The short run impact of unanticipated expansionary monetary policy is that	A. Real output decreases B. Employment decreases C. Real interest rates decrease D. Profit margins decrease
9	When equilibrium in the money and goods markets occurs at a rate of interest below the BP schedule internal and external equilibrium for the United States can be achieved by	A. Expanding the U.S. money supply B. Increasing government spending C. Increasing taxes D. Lowering interest rates in the United States.
10	The Root Mean Square Error for the actual sales and sales forecast for 1985 and 1986 is	A. 20.2 B. 19.9 C. 14.7 D. 17.2
11	If sales are forecasted using an adaptive expectations model where the coefficient of adjustment is .2, the sales forecast for 1986 is	A. Rs.260 B. Rs.244.4 C. Rs.3.6 D. Rs.283.6
12	Which of the following is incorrect with respect to the consumption diagram	A. the interest rate is a premium B. $MRS = (i + r)$ C. The consumer will be a lender in time zero D. The consumer lends 700
13	When the export function is $Rs.100 - 0.2 Y$, net exports are 0 when income is	A. Rs.300 B. Rs.400 C. Rs.500 D. Rs.600
14	Okun's Law states that for each percentage point by which the unemployment rate is above the natural rate real GNP is 3% below potential GNP, if real GNP is Rs. 3,800 billion with the natural rate of unemployment at 5%, the real GNP at 8% unemployment is	A. 171 billion B. 684 billion C. 3,629 billion D. 3,729 billion

	actual level of unemployment at 6.05 and the natural rate of unemployment at 4.5% then according to Okun's law the GNP gap is.	C. 114 billion D. 228 billion
15	The equilibrium level of Y and I derived from the LM and IS equations above is.	A. Y = 130 and I = 10% B. Y = 200 and I = 30% C. Y = 180 and I = 7% D. Y = 250 and I = 2%
16	The equation for the IS curve is.	A. Y = 55 - 50 i B. Y = 175 - 75 i C. Y = 300 - 100 i D. Y = 275 - 25 i
17	The equation for the LM curve is.	A. Y = 100 - 50 i B. Y = 50 + 50 i C. Y = 50 - 80 i D. Y = 80 + 50 i
18	Utility means.	A. Power to satisfy a want B. Usefulness C. Willingness of a person D. Harmfulness
19	Which of the following results in an increase in the value of the dollar.	A. Interest rates in the United States decrease, ceteris paribus B. Interest rates in foreign countries increase, ceteris paribus C. Price level in the United States increases, ceteris paribus D. Productivity in the United States increases, ceteris paribus
20	Fiscal policy output to change demand for output is.	A. Completely effective in region KL B. Partially effective in region JK C. Elasticity is infinite for region LT D. Completely ineffective in region LT
21	An increase in autonomous net exports	A. Shifts IS rightward by k, ox B. shifts IS leftward by k, AX C. Increase the slope of IS D. Decreases the slope of IS
22	Which of the following does not result in an increase in U.S. autonomous net exports.	A. The U.S. dollar depreciated B. Major trading partners stimulate their economy C. Foreign currencies depreciate D. Foreign trading partners lift tariff barriers
23	The equilibrium level of income of the open economic model is.	A. 200 B. 400 C. 300 D. 500
24	The break even level of income where C = Y is	A. 200 B. 300 C. 500 D. 400
25	Country A's GNP is increasing by 3% a year in contrast to its population growth of 2.4% The rate of growth of per capita GNP is.	A. 3% B. 0.85 C. 0.6% D. 2.4%
26	If GNP = 1,000 billion and the money supply is 330 billion, then the velocity of money is.	A. A value less than 1.4 B. 3.33 C. 1.48 D. 3.03
27	The MPS = 0.4 and government spending increases by 20 billion. The LM curve	A. Shifts to the right by 20 billion B. Shifts to the right by 50 billion C. Does not shift D. shifts to the left by 30 billion
28	If the intercept of the consumption function is 75, and MPS is 0.10 the value of consumption expenditures at Yd = Rs. 5,000 is	A. Rs.4,500 B. Rs. 575 C. Rs.500 D. Rs. 4,575
29	Based on the data above, the increase in potential MI would be	A. Rs.50 billion B. Rs.300 billion C. Rs.60 billion D. Rs.100 billion
30	What is the level of savings for disposable income = Rs.5,000 if dissavings of 50 occur at a disposable income of Rs.0 and a marginal propensity to save equal to 0.257	A. Rs. 1.25 B. Rs.1.125 C. Rs.1,200 D. Rs.1,100

