

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	If the economy is in equilibrium at Rs. 180 billion and taxes are reduced by Rs.20 billion, find the new equilibrium given that this is a simple economy i.e. exogenous government spending tax collection and investment spending and a marginal propensity to consume of .75	A. 60 B. 200 C. 250 D. 240
2	If an individual has a money income M of Rs. 999 , the price of X is rs.7.00 per unit and the price of Y is Rs. 300 per unit find the equation for the budget lines.	A. $Y = 333 - (7/3) x$ B. $Y = 142 - (7/3) x$ C. $Y = 142 - (3/7) x$ D. $Y = 323 - (7/3) x$
3	If X becomes more expansive i relation to Y, what happens to the budget line in the X - Y space, with Y on the vertical axis.	A. It shifts to the right B. It shifts to the left C. The slope becomes flatter D. The slope becomes steeper
4	Quality controllers at the LMN corporation formulate the null hypothesis that the proportion of defective items in the production line is 10% they reject this hypothesis when they find 12 defective items in 100. If the defective rate is really 10% What type of error did they make.	A. Standard error of the mean B. A type II error C. A type I error D. The error probability
5	The long term demand for real money balance will rise when	A. the income elasticity of the demand for money is less than unity. B. There is a long term increase in the price level C. There is a relative increase in the stock of government securities. D. Long term market interest rates are falling.
6	Whose opinions have revolutionized the scope of macro economics.	A. Adam Smith B. J.B. Say C. J.M. Keynes D. All of the above
7	Which theory is generally included under micro economics.	A. Price theory B. Income theory C. Employment theory D. None of the above
8	If a Canadian dollar costs 0.75 in terms of U.S. dollars, how much Canadian money would an American need to spend in Canada to get a dollar's worth of U.S. value.	A. 25\$ B. 99\$ C. Rs.1.25 D. Rs.1.13
9	In even A occurs the payoff will be Rs.5,670.00 . the probability of event A occurring is .87 What is the expected payoff of event A.	A. Rs.5,670.00 9d) B. Rs.4,832.10 C. Rs. 4,932.90 D. Rs.5000.00
10	Which of the following will cause a monetary induced change versus a fiscal induced change in equilibrium income as determined by IS - LM analysis.	A. A shift in the consumption function B. A shift in government expenditures C. A change in liquidity preference D. A change in a government expenditures
11	You are told the level of savings in the economy is Rs.25 billion of equilibrium Using the consumption function $C = 20 + .9 Y$, find equilibrium income .	A. 250 B. 900 C. 450 D. 350
12	To avoid double counting when the GNP is estimated, economists	A. Price all goods and services bought and sold in all markets B. Use the GNP deflator C. Price only intermediate goods D. Calculate value added at each stage of production.
13	Characteristics of economic laws are	A. Mere statement of economic tendencies B. Less certain C. Hypothetical D. All of the above
		A. An increase in autonomous spending

14	Which of the following will not result in an increase in the level of income.	B. A decrease in autonomous taxes C. An increase in autonomous transfers D. an increased in net tax revenues
15	Dynamic multipliers occur when	A. the assumption of ceteris paribus is dropped B. The economy is not in equilibrium C. Consumption is unrelated to disposable income D. there is lagged response between consumption and disposable income
16	A change in autonomous spending is represented by.	A. A movement along a spending line B. A shift of a spending line C. A change in a behavioral coefficient. D. None of these
17	When the marginal propensity to consume is 0.75 the multiplier has a value of.	A. 4 B. 5 C. 3 D. 2
18	The valued of expenditure multiplier relates.	A. The change in autonomous spending to the change in income B. the change in consumption to change in income C. The change in come to the change is consumption D. The change in income to the change in autonomous spending.
19	By definition, the marginal propensity to consumes.	A. Equals $OC/A Y_d$ B. Is the behavioral coefficient c in the equation $C = C + cY_d$ C. Is the slops of the consumption function. D. All of the above
20	When planned saving equals Rs.40+0.20 Y_d and planned investment is rs. 60, the equilibrium level of income in.	A. Rs. 100 B. Rs. 400 C. Rs.500 D. Rs.1000
21	When planned consumption equals Rs. 40 + 0.90 Y_d and planned investment is Rs.50, the equilibrium level of income is.	A. Rs.90 B. Rs.400 C. Rs.500 D. Rs.900
22	When the value of output exceeds planned spending .	A. There is unsold output, and the level of income will fall B. there is unsold output and the level of income will rise C. There is unsold output, and the level of income does not change. D. All of the above
23	When planned saving is greater than planned investment.	A. Output should increase B. Output should decrease C. Output should not change D. All of the above
24	Equilibrium occurs in a two sector model when	A. Saving equals investment. B. Consumption plus investment equals the value of output C. Planned saving equals planned investment. D. Aggregate spending equals the revenues of the business sector
25	Suppose nominal GNP is Rs.500 in year 1, the base year If the GNP deflator doubles by year 6 while real output has increased 40% nominal output in year 6 equals.	A. Rs.2000 B. Rs.1400 C. Rs.1000 D. Rs.750
26	If personal income equals Rs.570 white personal income takes equal Rs.90 consumption is Rs.430. interest payments total Rs. 10 and personal saving is Rs. 40, disposable income equals.	A. Rs. 500 B. Rs.480 C. Rs. 470 D. Rs.400
27	Which of the following is not included in gorses investment.	A. Business and residential constrction. B. Expenditures on consumer goods C. Additions to business inventory D. Expenditures on machinery
		A. Aggregate consumption B. The sum of the receipts of

28	In a model in which there is no government new investment capital replacement or international trade the market value of final output equals.	B. The sum of the receipts on economic resources C. The sum of wages rent interest and profit D. All of the above
29	In a private sector model	A. Household saving is a leakage from the circular flow B. Investment is a spending injection C. All of the above D. None of the above
30	"Economics is a science " the basis of this statement is.	A. Relation between causes and effect B. Use of deductive method and inductive method for the formations of laws C. experiments D. All of the above