PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	Normal profit occurs when	A. Average revenue equals average variable cost B. Marginal revenue equals marginal cost C. Average revenue equals marginal cost D. Average revenue equals average cost
2	Aggregate demand refers to the total demand for all domestically produced goods and services in an economy generated from.	A. The household and government sectors B. The household sector C. All sectors except the rest of the world D. All sectors including the rest of the world.
3	An increase in the costs of production will	A. Shift demand out wards B. Shift demand in wards C. Shift supply out wards so more is supplied at each and every price all other things unchanged. D. Shift supply inwards
4	In perfect competation.	A. The price equals the marginal revenue B. The price equals the average variable cost C. The fixed cost equals the variable costs D. The price equals the total costs
5	The index used most often to measure inflation is the	A. Consumer price index B. Wholesale price index C. Student price index D. Producer price index
6	If a maximum price is set below equilibrium there will be.	A. A price fall B. A price increase C. Excess supply D. Excess demand
7	Which of the following is not a macro economic issue.	A. Unempolyment B. Inflaction C. The wages paid to footballers D. Economic growth
8	Why does it make sense in assume that people are rational, if you want to predict their behavior.	A. People are not guided by emotions when making decisions B. People wheo act in the way that best gets them what they want will tend to repeat that behavior, and will tend to learn from mistakes that they do make C. People never make mistakes, and tend to make the correct choices all of the time D. People always logically figure out what to do.
9	A recurring theme in economics is.	A. People have unlimited wants in the face of limited resources B. There are unlimited resources C. Our country is rich, we just don't realize it D. People have limited wants in the face of limited resource.
10	A reduction in the money supply is likely to	A. Reduce interest rates B. Increase the interest rate C. Increase inflation D. Decrease deflation
11	Which of the following is a determinant of consumption	A. Expectations about future prices B. Level of indebtedness of consumers

11	Which of the following is a determinant of consumption.	consumers C. The price level D. All of the above
12	Firm in oligopoly are likely to.	A. Invest heavily in branding B. Act independently of other firms C. Try to differentiate its products D. Try to be a price maker
13	Which of the following is the government most likely to subsidies.	A. Negative externalities B. Positive externalities C. Monopolies D. O ligopojies
14	What does the phrases "there is no such thing as a free lunch'mean"	A. Individuals must always pay money for the food the eat. B. No restaurant wner will provide food to patrons unless they pay her C. Restaurant owners act selfishly D. Consumption of any good requires that other goods be given up
15	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
16	In a less developed country.	A. The infrastructure is likely to be good. B. Real wages are likely to be high C. Unemployment is likely to be low D. The primary sector is likely to be significant
17	Profit making is basic motive in.	A. Socialism B. Mixed economy C. Communism D. ^{Capitalism}
18	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
19	Which of the following would increase aggregate demand.	A. Increasing saving B. Increasing import spending C. Increasing taxation revenue D. increased investment
20	A contraction in supply occurs when	A. Demand shifts out wards B. The supply curve shifts inwards C. The quantity supplied falls when the price falls D. The supply curve shifts outwards