

PPSC Lectureship Guide

Economics Past Papers

Team STUDENT INN

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CEO STUDENT INN:



Economics Mcqs Test from Past Public Service Commission Exams

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1. Which of the following is a characteristic of pure monopoly?
 - a. one seller of the product
 - b. low barriers to entry
 - c. close substitute products
 - d. perfect information

2. In pure monopoly, what is the relation between the price and the marginal revenue?
 - a. the price is greater than the marginal revenue
 - b. the price is less than the marginal revenue
 - c. there is no relation
 - d. they are equal

3. In order to maximize profits, a monopoly company will produce that quantity at which the:
 - a. marginal revenue equals average total cost
 - b. price equals marginal revenue
 - c. marginal revenue equals marginal cost
 - d. total revenue equals total cost

4. Quantity Price Total Cost
 - 1 \$100 \$ 60
 - 2 95 130
 - 3 90 210
 - 4 85 300
 - 5 80 400

- This monopolist should produce:
 - a. 1
 - b. 2
 - c. 3
 - d. 4
 - e. 5

5. Compared to the case of perfect competition, a monopolist is more likely to:
 - a. charge a higher price
 - b. produce a lower quantity of the product
 - c. make a greater amount of economic profit
 - d. all of the above

6. Which of the following is necessary for a natural monopoly?
 - a. economies of scale
 - b. a high proportion of the total cost is the cost of capital goods
 - c. the market is very small
 - d. all of the above

7. Which of the following is true about the way by which SDG&E has been regulated by the PUC?
- SDG&E has been allowed to earn very high economic profits
 - The profits of SDG&E are calculated as a percent of the value of the capital goods
 - When the demand for electricity would fall, the price of electricity would also fall
 - All of the above
8. Which of the following best defines price discrimination?
- charging different prices on the basis of race
 - charging different prices for goods with different costs of production
 - charging different prices based on cost-of-service differences
 - selling a certain product of given quality and cost per unit at different prices to different buyers
9. In order to practice price discrimination, which of the following is needed?
- some degree of monopoly power
 - an ability to separate the market
 - an ability to prevent reselling
 - all of the above
10. In price discrimination, which section of the market is charged the higher price?
- the section with the richest people
 - the section with the oldest people
 - the section with the most inelastic demand
 - the section with the most elastic demand
1. Which of the following concepts represents the extra revenue a firm receives from the services of an additional unit of a factor of production?
- total revenue
 - marginal physical product
 - marginal revenue product
 - marginal revenue

2. Workers Quantity Produced

- 15
- 28
- 39
- 48
- 55
- 60

This company is a profit-maximizing firm selling in a competitive product market and hiring in a competitive labor market. It uses semi-skilled labor to produce dampers used in office building ventilation systems. Assume that the current market price per damper is \$50 and that the prevailing weekly salary per semi-skilled worker is \$550. This company should employ _____ workers.

- 2
- 3
- 4
- 5
- 6

3. The demand for labor is the same as the
- marginal revenue product

- b. marginal physical product
- c. marginal cost
- d. wage

4. The demand for labor slopes down and to the right because of
- a. the law of demand
 - b. the iron law of wages
 - c. the law of diminishing marginal returns
 - d. economies of scale

5. The demand for labor will be more elastic if:
- a. there are few substitutes for labor
 - b. there is a short time under consideration
 - c. labor is a large percent of the total cost of production
 - d. the demand for the product is relatively inelastic
 - e. all of the above

6. Skills that can be transferred to other employers are called:
- a. general skills
 - b. specific skills
 - c. non-pecuniary skills
 - d. all of the above

7. Which skills are most likely to be paid for by the employer?
- a. General skills
 - b. Specific skills
 - c. Educational skills

8. If worker A earns more in wages than worker B, it could be because:
- a. The product made by worker A sells for a higher price than that made by worker B
 - b. Worker A uses more capital per worker than worker B
 - c. Worker A has more natural ability than worker B
 - d. All of the above

9. Skills that embodied in a person are called
- a. Human capital
 - b. Embodied skills
 - c. Physical capital
 - d. Experience skills

10. "Treating an individual as typical of a group" is the definition of
- a. pure discrimination
 - b. statistical discrimination
 - c. human capital
 - d. specific skills

1. If there are 50 firms in a industry, each selling 2% of the total sales, the concentration ratio is:
- a. 50%
 - b. 2% €

- c. 100%
- d. 8%

2. When Daimler Benz, maker of the Mercedes, bought Chrysler, the merger was
- a. horizontal
 - b. vertical
 - c. conglomerate

Questions 3 through 10 involve the functions of the government in a world of laissez faire. The functions are the following:

- A. Create and Enforce the “Rules”
- B. Promote or Maintain Competition
- C. Provide Information
- D. Provide Public Goods
- E. Reduce Negative Externalities (External Costs) through regulations or through taxes
- F. Subsidize Positive Externalities (External Benefits)
- G. Provide Merit Goods
- H. Redistribute Income on the Basis of Need

For each of the following, choose the letter that best describes the function of government.

- 3. The government provides anti-trust laws.
- 4. The government subsidizes the building of new stadiums and arenas.
- 5. The government provides for military defense.
- 6. The government has a program of social security to provide a pension for the elderly.
- 7. The government requires that all gasoline stations post their prices in signs large enough to be seen by a reasonable person from the street.
- 8. The government requires people to have a smog control device in their cars.
- 9. The government makes the beach free for everyone
- 10. The government makes laws that determine certain behaviors that a corporation must engage in and other behaviors that a corporation cannot engage in.

Economics Mcqs Test

Economics Mcqs Test

1. Income elasticity of demand for an inferior good is:
- a) Positive
 - b) Zero
 - c) Both (a) & (b)
 - d) None of these

2. Convexity means averages are _____ than extremes:
- a) Worse
 - b) Positive
 - c) Better
 - d) None of these
3. Sum of MPC and MPS equals:
- a) 2
 - b) 3
 - c) 4
 - d) None of these
4. During the Liquidity Trap, LM curve is:
- a) Less elastic
 - b) Positive
 - c) Perfectly elastic
 - d) None of these
5. The dominant factor of production is:
- a) Energy
 - b) Labour
 - c) Technology
 - d) None of these
6. GDP deflator is a ratio between:
- a) Input prices
 - b) Output prices
 - c) Both (a) & (b)
 - d) None of these
7. During monopoly, the equilibrium condition is:
- a) $MC = P$
 - b) $MC > MR$
 - c) $MC = MR$
 - d) None of these
8. During Perfect competition, the firm would earn a normal profit when:
- a) $AC > AR$
 - b) $AR = AC$
 - c) $P = MP$
 - d) None of these
9. Roy's identity is applied on:
- a) Food
 - b) Bread
 - c) Utility
 - d) None of these

10) The following is the narrowest measure of supply of money:

- a) M2
- b) M3
- c) M1
- d) None of these

11) A positive externality in which a consumer wishes to possess a good in part because others do:

- a) Supply
- b) Concavity
- c) Money demand
- d) None of these

12) The Profit function is of:

- a) Homogenous of degree = 1
- b) Homogenous of degree = 2
- c) Homogenous of degree = 0
- d) None of these

13) The derivative of cost function with respect to output price provides:

- a) Input supply function
- b) Output supply function
- c) Both (a) & (b)
- d) None of these

14. A strategy that is optimal, no matter what an opponent does:

- a) Dominant firm
- b) Duopoly
- c) Dominant strategy
- d) None of these

15. A devaluation of a currency takes place under:

- a) Flexible exchange rate
- b) Fixed exchange rate
- c) Clean Floating system
- d) None of these

16. Nominal interest rate is:

- a) Inflation minus Tax
- b) Tax plus indirect Tax
- c) Real interest rate minus Inflation
- d) None of these

17. An un-anticipated increase in money supply is neutral during:

- a) Short run period
- b) Medium run period
- c) Both (a) & (b)
- d) None of these

18. A rise in general price level shifts the LM curve:

- a) Down and to the right
- b) Up and to the left
- c) Positively sloped
- d) None of these

19. Decrease in Tax shifts the IS curve:

- a) Down and to the left
- b) Negatively sloped
- c) Up and to the right
- d) None of these

20. Gross National Product is:

- a) GDP – NNP
- b) NFA – GNI
- c) GDP – NX
- d) None of these

1. Foreign aid comprises of:

- a) Grants
- b) Loans
- c) Both (a) & (b)
- d) None of these

2. Per capita income of Pakistan during the fiscal year 2011-12 was:

- a) \$ 1258
- b) \$ 1372
- c) \$ 1025
- d) \$ 1050
- c) Both (a) & (b)
- d) None of these

3. The GINI coefficient is measures of:

- a) Inequality
- b) Poverty
- c) Growth
- d) Development
- e) None of these

4. During the last decade income inequality in rural areas of Pakistan has:

- a) Increased
- b) Decreased
- Remained unchanged
- d) None of these

5. The share of agriculture in GDP is:

- a) 21%
- b) 10%
- c) 12%
- d) 17%
- e) None of these

6. During 1970's the planning was concerned to:
- a) Industrial Planning
 - b) Export Promotion
 - c) Import Substitution
 - d) Structural Planning
 - e) None of these
7. National Saving as a percent of GDP during 2011-2012 was:
- a) 10.7
 - b) 13.1
 - c) 9.5
 - d) 8.8
 - e) None of these
8. The growth rate of manufacture sector during 2011-12 was:
- a) 1.7%
 - b) 4.1%
 - c) 5.2%
 - d) 3.6%
 - e) None of these
9. The best measure of economic development among following is:
- a) NNP
 - b) HDI
 - c) GDP
 - d) All of these
 - e) None of these
10. The main objective of Monetary or fiscal policy is:
- a) Economic stabilization
 - b) Efficiency
 - c) Both (a) & (b)
 - d) None of these
11. Direct taxes during 2011-12 was:
- a) 37%
 - b) 63%
 - c) 15%
 - d) None of these
12. Public debt as a percent of GDP for 2011-12 was:
- a) 58%
 - b) 65%
 - c) 50%
 - d) 45%
 - e) None of these
13. Govt. of Pakistan borrows from:
- a) Internal sources
 - b) External sources

- c) Pakistani banks
- d) All of these
- e) None of these

14. Growth rate of agriculture sector during 2011-12 was:

- a) 3.1%
- b) 5.4%
- c) 2.9%
- d) 2.1%
- e) None of these

15. Nationalization of industries took place during the regime of:

- a) Z.A Bhutto
- b) Zia ul Haq
- c) Ayub Khan
- d) None of these

16. Development economics is concerned with:

- a) Efficiency allocation of scarce resources
- b) Economic, social and political institutions
- c) Imperfect resources and commodity markets
- d) (a) and (b) only
- e) None of these

17. The last land reforms in Pakistan were introduced in:

- a) 1972
- b) 1977
- c) 1981
- d) 1958
- e) None of these

18. IMP advances loan for:

- a) Construction
- b) Balance of payment
- c) Travelling
- d) None of these

19.. Sixth five year plan covers the period:

- a) 1965-70
- b) 1960-65
- c) 1988-93
- d) 1983-88
- e) None of these

20. The unemployment rate in Pakistan during 2010-11 was:

- a) 7%
- b) 5%
- c) 3%
- d) 6%
- e) None of these

Economics Mcqs for Test Preparation

Posted by [staff](#) on 19 September 2014, 6:47 am

Economics Mcqs for Test Preparation

1. Population theory Malthus-
2. Labour planning-
3. Labour welfare does not include= health, edu, home, and quick promotion
4. Micro economics refers to individual unit
5. Proportional tax is flat tax
6. Most regressive is sales tax
7. Capitalism refers to
8. Per capita income formula national income divided by population
9. Canon of equity social justice, progressive tax, both a and b
10. Index to measure inflation-CPI
11. Propensity to consume
12. Isoquant is convex to origin
13. Inconsistent to notion of profit competition-
14. Assumption indifference curve-
15. Monopsony -one purchaser/buyer
16. Law of demand
17. Depreciation value-capital good
18. Devaluation –official decrease in money
19. Demand curve-ordinary good
20. Difference between economic profit and account profit
21. Central bank-not function: a) loan business and individual
22. Money function-a) medium of exchange and store value
23. Monetary policy- to supply money
24. In marketing selling and buying: primary function
25. Buyer market in which b) supply exceeds demand
26. Transfer of payment:
27. Normative economics

Basic Economics MCQs with Answers

1. The fundamental economic problem faced by all societies is:

- a. unemployment
- b. inequality
- c. poverty
- d. scarcity

2. “Capitalism” refers to:

- a. the use of markets
- b. government ownership of capital goods
- c. private ownership of capital goods
- d. private ownership of homes & cars

3. There are three fundamental questions every society must answer. Which of the following is/are one of these questions?

- a. What goods and services are to be produced?
- b. How are the goods and services to be produced?
- c. Who will get the goods and services that are produced?
- d. All of the above

4. If you were working full-time now, you could earn \$20,000 per year. Instead, you are working part-time while going to school. In your current part-time job, you earn \$5,000 per year. At your school, the annual cost of tuition, books, and other fees is \$2,000. The opportunity cost of completing your education is:

- a. \$2,000
- b. \$5,000
- c. \$17,000
- d. \$20,000
- e. \$22,000

5. The bowed shape of the production possibilities curve illustrates:

- a. the law of increasing marginal cost
- b. that production is inefficient
- c. that production is unattainable
- d. the demand is relatively inelastic

6. You have taken this quiz and received a grade of 3 out of a possible 10 points (F). You are allowed to take a second version of this quiz. If you score 7 or more, you can raise your score to a 7 (C). You will need to study for the second version. In making a rational decision as to whether or not to retake the test, you should

- a. always retake the quiz
- b. consider only the marginal benefits from of retaking the quiz (four extra points)
- c. consider only the marginal opportunity costs from taking the quiz (the time spent studying and taking the quiz)
- d. consider both the marginal benefits and the marginal opportunity costs of retaking the quiz

7. The law of demand states that:

- a. as the quantity demanded rises, the price rises
- b. as the price rises, the quantity demanded rises
- c. as the price rises, the quantity demanded falls
- d. as supply rises, the demand rises

8. The price elasticity of demand is the:

- a. percentage change in quantity demanded divided by the percentage change in price
- b. percentage change in price divided by the percentage change in quantity demanded

- c. dollar change in quantity demanded divided by the dollar change in price
- d. percentage change in quantity demanded divided by the percentage change in quantity supplied

9. Community Colleges desired to increase revenues. They decided to raise fees paid by students with Bachelors degrees to \$50 per unit because they believed this would result in greater revenues. But in reality, total revenues fell. Therefore, the demand for Community College courses by people with Bachelors degrees must have actually been:

- a. relatively inelastic
- b. unit elastic
- c. relatively elastic
- d. perfectly elastic

10. The demand for a product would be more inelastic:

- a. the greater is the time under consideration
- b. the greater is the number of substitutes available to buyers
- c. the less expensive is the product in relation to incomes
- d. all of the above

Answers: D C D C A D C A C C

1. In the case of agriculture,

- a. the demand has shifted to the right more than the supply has shifted to the right
- b. the demand has shifted to the right less than the supply has shifted to the right
- c. the demand has shifted to the left more than the supply has shifted to the left
- d. the demand has shifted to the left less than the supply has shifted to the left

2. The agricultural price support program is an example of

- a. a price ceiling
- b. a price floor
- c. equilibrium pricing

3. If there is a price floor, there will be

- a. shortages
- b. surpluses
- c. equilibrium

4. If there is a price ceiling, there will be

- a. shortages
- b. surpluses
- c. equilibrium

5. If there is a price ceiling, which of the following is NOT likely to occur?

- a. rationing by first-come, first-served
- b. black markets
- c. gray markets
- d. sellers providing goods for free that were formerly not free

6. The goal of a pure market economy is to best meet the desires of

- a. consumers
- b. companies
- c. workers
- d. the government

7. In a pure market economy, which of the following is a function of the price?

I. provide information to sellers and buyers , II. provide incentives to sellers and buyers

- a. I only
- b. II only
- c. both I and II
- d. neither I nor II

8. In a market system, sellers act in _____ interest , but this leads to behaviors in _____ interest.

- a. self; self
- b. self; society's
- c. society's; society's
- d. society's; self

9. The law of diminishing (marginal) returns states that as more of a variable factor is added to a certain amount of a fixed factor, beyond some point:

- a. Total physical product begins to fall
- b. The marginal physical product rises
- c. The marginal physical product falls
- d. The average physical product falls

10. Why is the law of diminishing marginal returns true?

- a. specialization and division of labor
- b. spreading the average fixed cost
- c. limited capital
- d. all factors being variable in the long-run

Answers: B B B A D A C B C C

PPSC Economics Mcqs For PMS Preparation

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- (i) Price effect is a combination of:
- (a) Income effect and policy effect
 - (b) Income substitution, income and welfare effect
 - (c) Substitution effect plus market effect
 - (d) All of these
- (ii) Which of the following is true in long run equilibrium for a firm in monopolistic competition?
- (a) $MC = ATC$
 - (b) $MC > ATC$
 - (c) $MC \leq ATC$
 - (d) None of these
- (iii) To represent the whole economy there are:
- (a) Four markets
 - (b) Three markets
 - (c) Two markets
 - (d) None of these
- (iv) The long run average cost curve is:
- (a) U-shaped
 - (b) J-shaped
 - (c) Hyperbola shape
 - (d) Both (a) and (b)
 - (e) None of these
- (v) Demand curve in monopolistic competition is:
- (a) Relatively flatter than monopoly
 - (b) Relatively steeper than monopoly
 - (c) Negatively sloped and same as monopoly
 - (d) None of these
- (vi) The relation between labor units employed and wage rate is shown by:
- (a) Value of marginal product of labor [VMP1]
 - (b) Value of average product of labor [VAP1]

- (c) Negatively sloped marginal productivity curve
- (d) Both (b) and (c)

(vii) A market with few entry barriers and with many firms that sell differentiated products is:

- (a) Purely competitive
- (b) Monopoly
- (c) Monopolistically competitive
- (d) Oligopolistic Competition

(viii) The firm's profit will be maximum when its:

- (a) Marginal cost is greater than marginal revenue
- (b) Marginal revenue is greater than marginal cost
- (c) Marginal cost is equal to marginal revenue
- (d) Both (a) and (b)

(ix) General equilibrium represents:

- (a) Equilibrium of the goods and money market
- (b) Equilibrium of the goods market
- (c) Equilibrium of the goods, money and labour market
- (d) None of these

(x) Net exports are always:

- (a) Positive
- (b) Negative
- (c) Balance
- (d) None of these

(xi) When Slope of the Aggregate Expenditure Curve increases; (Keynesian Cross model)

- (a) National Income will increase
- (b) National Income will decrease
- (c) There will be recessionary gap
- (d) There will be inflationary gap
- (e) None of these

(xii) GNP of a country is:

- (a) GDP divided by prices
- (b) $GNP - GDP$
- (c) $GNP - Depreciation$
- (d) None of these

(xiii) Money is:

- (a) Currency and Coins
- (b) Credit cards and drafts
- (c) Bonds
- (d) Promissory notes
- (e) None of these

(xiv) Keep in mind Production Possibility Frontier (PPF):

- (a) All the points on the PPF could be efficient points
- (b) Production may be chosen inside PPF which will be efficient
- (c) Production out side the PPF is efficient
- (d) None of these

(xv) The investment demand curve is always:

- (a) Negatively sloped
- (b) Positively sloped
- (c) Vertical
- (d) Horizontal

(xvi) Real interest rate is:

- (a) Interest rate divided by prices
- (b) Interest rate divided by inflation
- (c) Interest rate minus inflation
- (d) Interest rate plus inflation

(xvii) The consumer will be in equilibrium where:

- (a) Budget line intersect indifference curve
- (b) Budget line intersect price line
- (c) Both (a) and (b)
- (d) None of these

(xviii) When there is Liquidity Trap:

- (a) Money demand increases interest rate
- (b) Money demand decreases interest rate
- (c) Money demand curve is vertical
- (d) All of these
- (e) None of these

(xix) Due to change in price aggregate demand curve will:

- (a) Shift to the left

- (b) Shift to the right
- (c) None of (a) and (b)
- (d) Become flatter

- (xx) Derived demand is:**
- (a) Like demand for shoe maker**
 - (b) Like teacher / tutor**
 - (c) Like craftsman**
 - (d) All of these**

(e) **Economics Mcqs Paper**

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(1) A firm's monopolistic position is strengthened by:

- (a) Low elasticity of demand for its product.
- (b) High elasticity of demand for its product.
- (c) Constant elasticity of demand.
- (d) None of the above.

(2) The overall Budget Deficit is financed from:

- (a) External borrowing
- (b) Non-Bank borrowing domestically
- (c) Bank borrowing plus the above two at (a) and (b)
- (d) None of the above.

(3) Devaluation leads to:

- (a) Increase in imports (b) ' Increase in exports
- (c) Decline in imports (d) Nona of the above.

(4) guild-up 'of Foreign exchange reserves leads to:

(a) Decrease in money supply

(b) Increase in money supply

(c) Contraction in money supply

(d) None of the above.

(5) . monopolist would maximize profit at that level' of production where:

(a) His/her average cost of production equals his/her marginal revenue

(b) marginal cost of production equal marginal 'revenue

(c) Average cost equal average revenue

(d) None of the above.

(6) Cost push inflation results from: –

(a) Enhancement in wage bill

(b) Increase in the cost of inputs going into product ion

(c) Increase in the international prices of imports

(d) None of the above.

(7) Balance of trade deficit refers to:

(a) Difference between receipts from exports of goods and services and the, payments for imports of goods and services.

(b) Difference between commodity export earnings versus payment for commodity imports.

(8) Health of a country's economy is indicated by:

(a) Number of doctors per 1.000 population

(b) Per capita income

(c) Literacy rate (d) None of the above.

(9) According to classical theory of employment Laissez Faire System of enterprise:

(a) Ensures continuous Full – Employment

(b) Leads to general over production

(c) Leads to investment higher than savings,

(d) None of the above.

(10) Saving means:

(a) Part of income for investment

(b) Income for boarding

(c) Non-consumption of income in the current period

(d) None of the above.

(11) Three types of GDP in nominal terms refer to:

(a) National output in current prices

(b) National output in prices prevailing in market

(c) Output at constant prices

(d) None of the above.

(12) Rs. 100 note has value because:

(a) It has intrinsic value

(b) State Bank guarantees it

(c) Its holder can exchange it for goods and services

(d) None of the above.

(13) In 25 years (1960-85) Pakistan's Per Capita income:

(a) More than doubled (b) Less than doubled

(c) Did not show more than 70% increase (d) None of the above.

(14) All economic models'are based on:

(a) Realistic assumptions

(b) Assumptions which can never be perfectly realistic

(c) Unrealistic assumptions

(d) None of the above.

(15) Terms of Trade improvment if:

(a) Unit value of exports goes down

(b) Unit value of imports go up

(c) Relative value of exports is higher than that of imports

(d) None of the above.

(16) An important policy instrument to influence commercial banks is:

(a) Open market operations

(b) Changing reserve ratios of commercial banks

(c) Moral persuasion

(d) None of the above.

(17) Expansion in money supply stems from:

a) Increasing the cost of bank credit

(b) Reducing availability of bank credit

(c) Reducing the financial cost of bank credit

(d) None of the above.

(18) During the 1980's empirical evidence indicates that:

(a) Poverty re-emerged in Pakistan

(b) Good growth brought down poverty in Pakistan

(c) Poverty situation showed no change

(d) None of the above.

(19) Expansion in international trade is preferable over;

(a) Foreign aid (b) Project assistance

(c) Commodity assistance by foreign donors (d) None of the above.

(20) Supply factors in economic growth, are:

(a) Manpower (b) Stock of capital

(c) Technology and skills (d) None of the above

Basic Economics Mcqs Paper

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- (i) The best measure of economic development is:
- (a) GNP
 - (b) HDI
 - (c) PQLI
 - (d) None of these
- (ii) Due to land reforms of 1972 the number of farmers benefited were around:
- (a) 50,300
 - (b) 71,500
 - (c) 81,201
 - (d) 40,301
- (iii) The best measure of economic development, among the following is:
- (a) Life expectancy
 - (b) Industrial development
 - (c) Agricultural and industrial development
 - (d) Development of services sector
- (iv) As per 1990 census, the number of tenants in Pakistan were around:
- (a) 16%
 - (b) 20%
 - (c) 25%
 - (d) 13%
 - (e) None of these
- (v) Area irrigated by different sources in Pakistan is around _____ Million hectares:
- (a) 17
 - (b) 20
 - (c) 15
 - (d) 18
- (vi) Which era (decade) in Pakistan is called “the decade lose”:
- (a) 1960’s
 - (b) 1970’s
 - (c) 1980’s
 - (d) 1990’s
 - (e) 2000’s
- (vii) The urban employment in the informal industry is:
- (a) 72%
 - (b) 50%
 - (c) 30%

- (d) 79%
- (e) 60.5%

(viii) The effective tariff rate in Pakistan (Foreign Sector) is:

- (a) Below 10%
- (b) Around 15%
- (c) Around 20%
- (d) Around 23%

(ix) The major objective of Monetary Authorities is:

- (a) To control inflation and help the government
- (b) Stability of the economy
- (c) To reduce unemployment and print money
- (d) To control interest rate and promote investment
- (e) None of these

(x) Out of total revenue of Pakistan, the following percentage is spent on defence and debt services:

- (a) 50%
- (b) 30%
- (c) 90%
- (d) 80%
- (e) 70%

(xi) Under WTO, Pakistan has bounded tariff for agriculture around:

- (a) 100%
- (b) 50%
- (c) 150%
- (d) None of these

(xii) The best technique to measure competitiveness of trade is:

- (a) Absolute advantage
- (b) Comparative advantage
- (c) Revealed comparative advantage
- (d) Openness of the foreign sector

(xiii) The agricultural share in GDP is around:

- (a) 22%
- (b) 20%
- (c) 15%
- (d) 10%

(xiv) Structural adjustment program in Pakistan led to:

- (a) Increase poverty
- (b) Reduce poverty
- (c) Improve the economy
- (d) No significant impact

(xv) The IMF loans are:

- (a) For short term
- (b) For long term
- (c) Both (a) and (b)
- (d) None of these

(xvi) Indirect taxes are around _____ of the revenue.

- (a) 70%
- (b) 80%
- (c) 85%
- (d) None of these

(xvii) In the last ten years, foreign debt servicing of Pakistan has:

- (a) Increased
- (b) Decreased
- (c) Remained the same

(xviii) With the introduction of reforms in the foreign sector Pakistan's competitiveness has:

- (a) Improved
- (b) Deteriorated
- (c) Improved and deteriorated
- (d) Deteriorated and improved

(xix) The industrial share in the GDP is around:

- (a) 20%
- (b) 18%
- (c) 22%
- (d) 15%

(xx) Produce Index Unit is:

- (a) Per acre total production in a year
- (b) Per acre production of one crop in one acre
- (c) Aggregate average production per acre
- (d) None of these

Economics MCQs for Public Service Commission Lecturers' Test

Economics MCQs Lecturers' Test

1. Population theory Malthus-
2. Labour planning-
3. Labour welfare does not include= health, edu, home, and quick promotion
4. Micro economics refers to individual unit
5. Proportional tax is flat tax
6. Most regressive is sales tax
7. Capitalism refers to
8. Per capita income formula national income divided by population
9. Canon of equity social justice, progressive tax, both a and b(correct answer) and none of these
10. Index to measure inflation-CPI
11. Propensity to consume
12. Isoquant is convex to origin
13. Inconsistent to notion of profit competition-
14. Assumption indifference curve-
15. Monopsony -one purchaser/buyer
16. Law of demand
17. Depreciation value-capital good
18. Devaluation –official decrease in money
19. Demand curve-ordinary good
20. Difference between economic profit and account profit
21. Central bank-not function: a) loan business and individual
22. Money function-a) medium of exchange and store value
23. Monetary policy- to supply money
24. In marketing selling and buying: primary function
25. Buyer market in which b) supply exceeds demand
26. Transfer of payment:
27. Normative economics

Mcqs Economics From Past Papers For Subject Specialist & Lecturer Exams

Mcqs Economics From Past Papers For Subject Specialist & Lecturer Exams

- (1) The greatest requirement for economic development is:
- (a) To sacrifice present enjoyment for tomorrow's benefit.
 - (b) Increase in National income.
 - (c) Invention and innovation in all productive sectors

- (d) Mechanization of agriculture
- (2) Per Capita output would probably rise but output per worker would fall if;
 - (a) Capital deepening occurred rapidly.
 - (b) Labour force participation rate of the population rose
 - (c) Technical education of the work
 - (d) Involuntary saving was increased
- (3) Most of underdeveloped countries are agricultural with low income and needs:
 - (a) Increase in income of the people depends upon agriculture output.
 - (b) Land can be owned collectively.
 - (c) Land can be owned by large capitalist farmers.
 - (d) Land can be owned by labourers who till it.
- (4) Voluntary saving will most likely increase if:
 - (a) Tax rates are increased
 - (b) Interest rate rise
 - (c) Distribution of income becomes more unequal
 - (d) The rate of inflation increase
- (5) Economic growth:
 - (a) Is synonymous with economic development
 - (b) Refers to qualitative change experienced by an economic system
 - (c) When an economic system acquires greater productive capacity.
 - (d) Always result in increased real per capita output
- (6) Capital deepening:
 - (a) Is an increase in the ratio of labour to capital
 - (b) Necessarily increases real per capita output
 - (c) Is less likely to be effective in fostering growth in rich countries than in poor countries
 - (d) Can occur when saving rates are zero
- (7) Interest of the developed world in the development of under developed economies on:
 - (a) General political freedom and promotion of free societies
 - (b) If world is not free their freedom would be in danger
 - (c) They want to stop and check tyranny and aggression
 - (d) Developed countries need customers for their surplus production.
- (8) GNP at factor cost may be best defined as:
 - (a) The total of goods and services produced within an economy over a given time period.
 - (b) The total of expenditure of consumers on domestically produced goods and services.
 - (c) All incomes received by residents in a country in return for factor services provided domestically and abroad.
 - (d) The value of total output produced domestically plus net property income from abroad minus capital consumption
- (9) Which one of the following is a transfer payment in National income accounting?
 - (a) Educational scholarship
 - (b) Salaries of employees
 - (c) Payments for text books
 - (d) Payment for examination fee
- (10) Which is the basic concept which underlies accelerator theory of investment?
 - (a) Investment depends on the level of savings
 - (b) Investment is inversely related to the rate of interest
 - (c) Investment is determined by the volume of Commercial Bank Lending
 - (d) Investment rises when there is an increase in the rate of growth of demand in the economy
- (11) Which one of the following would cause a fall in the level of aggregate demand in the economy?
 - (a) A decrease in the level of imports
 - (b) A fall in the propensity to save

- (c) A decrease in government expenditure
- (d) A decrease in the level of income tax
- (12) Capital formation remained very low in Pakistan due to:
 - (a) Low saving rate
 - (b) Savings are not fully invested
 - (c) Money and capital market are not suitable
 - (d) Due to high rate of inflation purchasing power is very low
- (13) Efficient allocation of resources in an economy occurs whenever:
 - (a) Prices is equated to Marginal social cost in some units
 - (b) Income and wealth are distributed in a fair way
 - (c) There is full employment of resources
 - (d) The existing resource allocation cannot be changed without making it worse off.
- (14) When a worker earns more than the just sufficient to keep him in his job, the excess income is called:
 - (a) An opportunity cost
 - (b) An economic rent
 - (c) Transfer earnings
 - (d) Surplus value
- (15) There are 5 workers in a field and each one is paid at the rate of Rs. 200 per day. Later on raising wage rate by Rs. 50 per day to attract one more worker. If other costs remain constant, marginal input cost of employing the additional worker is:
 - (a) Rs. 400
 - (b) Rs. 45
 - (c) Rs. 700
 - (d) Rs. 300
- (16) If state wishes to stimulate consumption, which one of the following measures be the most effective?
 - (a) Increase in aid to agriculture and industry
 - (b) An increase in old age pension
 - (c) A decrease in higher rates of income tax
 - (d) A decrease in personal tax allowances
- (17) The incidence of tax refers to:
 - (a) Who economically bear the burden of the tax
 - (b) The canons of taxation
 - (c) Type of tax, direct or indirect tax
 - (d) Whether the tax is continuously or periodically levied.
- (18) During the inflationary period, when income tax revenue rises faster than National income, this illustrates:
 - (a) The situation of unemployment trap.
 - (b) The poverty trap
 - (c) Fiscal boost
 - (d) Fiscal drag
- (19) A balance of payment surplus may cause:
 - (a) Employment and the money supply to rise.
 - (b) The money supplies to fall
 - (c) Employment to rise and the money supply to fall
 - (d) Employment and the money supply to fall.
- (20) Green revolution refers to:
 - (a) Introduction of modern technology
 - (b) Reform in land tenure system
 - (c) Introduction of agro-based industry

(d) Boosting exports of agricultural products

Economics MCQs

Economics MCQs

1. Which of the following is a characteristic of pure monopoly?

- a. one seller of the product
- b. low barriers to entry
- c. close substitute products
- d. perfect information

2. In pure monopoly, what is the relation between the price and the marginal revenue?

- a. the price is greater than the marginal revenue
- b. the price is less than the marginal revenue
- c. there is no relation
- d. they are equal

3. In order to maximize profits, a monopoly company will produce that quantity at which the:

- a. marginal revenue equals average total cost
- b. price equals marginal revenue
- c. marginal revenue equals marginal cost
- d. total revenue equals total cost

4. Quantity Price Total Cost

1 \$100 \$ 60

2 95 130

3 90 210

4 85 300

5 80 400

This monopolist should produce:

- a. 1
- b. 2
- c. 3
- d. 4
- e. 5

5. Compared to the case of perfect competition, a monopolist is more likely to:

- a. charge a higher price
- b. produce a lower quantity of the product
- c. make a greater amount of economic profit
- d. all of the above

6. Which of the following is necessary for a natural monopoly?

- a. economies of scale
- b. a high proportion of the total cost is the cost of capital goods
- c. the market is very small
- d. all of the above

7. Which of the following is true about the way by which SDG&E has been regulated by the PUC?

- a. SDG&E has been allowed to earn very high economic profits
- b. The profits of SDG&E are calculated as a percent of the value of the capital goods
- c. When the demand for electricity would fall, the price of electricity would also fall
- d. All of the above

8. Which of the following best defines price discrimination?

- a. charging different prices on the basis of race
- b. charging different prices for goods with different costs of production
- c. charging different prices based on cost-of-service differences
- d. selling a certain product of given quality and cost per unit at different prices to different buyers

9. In order to practice price discrimination, which of the following is needed?

- a. some degree of monopoly power
- b. an ability to separate the market
- c. an ability to prevent reselling
- d. all of the above

10. In price discrimination, which section of the market is charged the higher price?

- a. the section with the richest people
- b. the section with the oldest people
- c. the section with the most inelastic demand
- d. the section with the most elastic demand

Answers: A A C C D D B D D C

1. Which of the following concepts represents the extra revenue a firm receives from the services of an additional unit of a factor of production?

- a. total revenue
 - b. marginal physical product
 - c. marginal revenue product
 - d. marginal revenue
- 2. Workers Quantity Produced**

1 15

2 28

3 39

4 48

5 55

6 60

This company is a profit-maximizing firm selling in a competitive product market and hiring in a competitive labor market. It uses semi-skilled labor to produce dampers used in office building ventilation systems. Assume that the current market price per damper is \$50 and that the prevailing weekly salary per semi-skilled worker is \$550. This company should employ _____ workers.

- a. 2
- b. 3
- c. 4
- d. 5
- e. 6

3. The demand for labor is the same as the

- a. marginal revenue product
- b. marginal physical product
- c. marginal cost
- d. wage

4. The demand for labor slopes down and to the right because of

- a. the law of demand
- b. the iron law of wages
- c. the law of diminishing marginal returns
- d. economies of scale

5. The demand for labor will be more elastic if:

- a. there are few substitutes for labor
- b. there is a short time under consideration
- c. labor is a large percent of the total cost of production
- d. the demand for the product is relatively inelastic
- e. all of the above

6. Skills that can be transferred to other employers are called:

- a. general skills
- b. specific skills
- c. non-pecuniary skills
- d. all of the above

7. Which skills are most likely to be paid for by the employer?

- a. General skills
- b. Specific skills
- c. Educational skills

8. If worker A earns more in wages than worker B, it could be because:

- a. The product made by worker A sells for a higher price than that made by worker B
- b. Worker A uses more capital per worker than worker B
- c. Worker A has more natural ability than worker B
- d. All of the above

9. Skills that embodied in a person are called

- a. Human capital
- b. Embodied skills
- c. Physical capital
- d. Experience skills

10. “Treating an individual as typical of a group” is the definition of

- a. pure discrimination
- b. statistical discrimination
- c. human capital
- d. specific skills

Answers: C B A C C A B D A B

1. The largest source of tax revenue for the federal government is:

- a. the personal income tax
- b. the social security tax
- c. the property tax
- d. the sales tax

2. When my income was \$100,000, I paid \$10,000 in taxes. When my income became \$200,000, I paid \$40,000 in taxes. My marginal tax rate is:

- a. 10%
- b. 20%
- c. 30%
- d. 40%

3. The tax is question #2 is:

- a. progressive
- b. regressive
- c. proportional

4. Which of the following taxes is regressive?

- a. the federal income tax
- b. the state income tax
- c. the sales tax
- d. the Medicare tax

5. Assume that there are two goods, A and B. In 1996, Americans produced 10 units of A at a price of \$10 and 20 units of B at a price of \$20. In 2002, Americans produced 20 units of A at a price of \$20 and 30 units of B at a price of \$30. The Nominal GDP for 2002 is:

- a. \$100
- b. \$400
- c. \$500
- d. \$900
- e. \$1300

6. Using the numbers in question 5, the Real GDP for 2002 is:

- a. \$400 b. \$500 c. \$800 d. \$900 e. \$1,300

7. Which of the following statements is/are true?

- a. Business Investment Spending occurs when individuals buy stock in the stock market
- b. Productivity in the United States grew very slowly between 1973 and 1996
- c. Because of discouraged workers, the official unemployment rate is too high
- d. "Full employment" occurs when there is no frictional unemployment

8. Immediately after a trough, we would expect to have a/an

- a. peak
- b. recession
- c. recovery
- d. another trough

9. Last week, Martha spent one day cleaning a house. For this, she was paid \$50. The rest of the week, she spent looking for a job. Martha would be classified as

- a. employed
- b. unemployed

10. John lost his accounting job when Montgomery Wards closed its stores in San Diego. He looked for a similar job for ten months before finding an accounting job at Sears. During the month John was unemployed, he was

- a. frictionally unemployed
- b. seasonally unemployed

- c. cyclically unemployed
- d. structurally unemployed

Answers: A C A C E C B C A D

1. Define average tax rate

Define marginal tax rate

2. Define progressive tax

Define regressive tax

Define proportional tax

3. Define indexation

4. Define Nominal Gross Domestic Product (GDP)

Define Real Gross Domestic Product (GDP)

5. Define business investment spending

6. Briefly explain how the official unemployment rate is calculated.

7. Define frictional unemployment

Define cyclical unemployment

Define structural unemployment

Define “full employment”

Economics MCQs

__Economics MCQs For PCS Exam

1. To determine the correct level of GNP, it is necessary to.

- a. to add up the values of goods and services during one year.
- b. add up all savings
- c. to count all imports
- d. to add up the value of semi finished goods

Answer is = A

2. GNP is always

- a. less than NNP
- b. Greater than NNP
- c. Equal to NNP

d. Any of a, b, c

Answer is = B

3. The four factor payment are:

a. Money, capital, salaries and income

b. Wages, rent, interest and profits

c. Money, power, preset age, and wealth

d. Wages, interest, salaries, and income.

Answer is = B

4. We measure national income by this method

a. Expenditure method

b. income method

c. product method

d. all of the above

Answer is = D

5. Transfer payment means

a. Bank loans

b. The payment without work

c. Text payments

d. Payments made to all factors of production

Answer is = B

6. Which statement is true

a. National expenditure= National income

b. National Expenditure= National income+ National production

C. National Expenditure= National income+ National Taxes

d. National Expenditure= National income- Taxes

Answer is = A

7. If we compare GDP and GNP, then

a. $GNP = GDP - \text{net income from abroad}$

b. $GNP = GDP + \text{net income from abroad}$

c. $GNP = NNP - \text{net income from abroad}$

d. $GNP = NNP + \text{net income from abroad}$

Answer is = B

8. A TV set purchased from a retail store is an example of

a. Intermediate goods

- b. Capital goods
- c. Surplus goods
- d. Final goods

Answer is = D

9. GNP is ?

- a. Total sales in the economy
- b. Total monetary transactions in an economy
- c. The market values of all goods and services produced in an economy
- d. Total spending in an economy

Answer is = C

10. GNP includes

- a. A loan from bank
- b. A loan from one's parents
- c. Gifts and donations
- d. A broker's commission

Answer is = D

11. Net Investment is

- a. Gross Investment minus household Investment
- b. Gross Investment minus govt.
- c. Gross investment minus capital consumption allowance
- d. None of the above

Answer is = C

12. Market value of all final goods and services produced in a country during a year is definition of

- a. NI
- b. NNP
- c. GNP
- d. Consumption

Answer is = C

13. Consumption spending does not include

- a. Household's purchases of food
- b. Household's purchases of a car
- c. Household's payment of rent for an apartment
- d. Household's purchases of stock in any XYZ corporation

Answer is = D

14. Which of the following would increase national income

- a. Increases in taxation
- b. Increase in savings
- c. Increases in govt spending
- d. Decreases in consumption spending

Answer is = C

15. Which of the following is a withdrawal from the circular flow income stream.

- a. Investment
- b. Subsidies
- c. Taxation
- d. consumption

Answer is = C

16. Pakistan's saving rate is

- a. 5 %
- b. 14.4 %
- c. 25 %
- d. 35 %

Answer is = B

17. In the world population-wise Pakistan is

- a. 3rd
- b. 4th
- c. 6th
- d. 8th

Answer is = C

18. Population growth rate in Pakistan is

- a. 1 %
- b. 1.73 %
- c. 1.9 %
- d. 4 %

Answer is = B

19. According to the Economic Survey of Pakistan 2008-09 Pakistan's per capita income is U.S. dollars

- a. 320
- b. 1046
- c. 950

d. 1520

Answer is = B

20. Which is most likely to cause a more even distribution of income

a. An increases in indirect taxes

b. An increases in managers' salaries

c. An increases in progressive taxation

d. An increases in an rate of inflation

Answer is = C

21. Working population is ——— percent of total population of Pakistan

a. 20 %

b. 30 %

c. 40 %

d. 50 %

Answer is = B

22. Pakistan started its first five-year plan in

a. 1947

b. 1950

c. 1955

d. 1960

Answer is = C

23. Contribution of agriculture in Pakistan's national income is

a. 20 %

b. 24 %

c. 28 %

d. 26 %

Answer is = B

24. Contribution of industrial sector in Pakistan economy is

a. 28 %

b. 18 %

c. 8 %

d. –Undetermined

Answer is = B

25. Size of Pakistan's 8th plan was in _____rupees:

- a. 700 billion
- b. 1700 billion
- c. 2700 billion
- d. 3700 billion

Answer is = B

26. Pakistan produces_____of its oil requirements

- a. 25 %
- b 35 %
- c. 45 %
- d. 55 %

Answer is = A

27. Economic development

- a. it same is as economic growth
- b. Means improvement in lifestyle
- c. Exists when there is equal distribution of income
- d. All of the above

Answer is = B

28. Economic development is measured on the basis of

- a. Increases in nominal GNP
- b. Increases in real GNP
- c. Increases in personal incomes
- d. Increases in government revenue

Answer is = B

29. The govt. can control inflation by

- a. Increasing demand for goods
- b. Increasing supply of goods
- c. Increasing money supply
- d. Decreasing taxes

Answer is = B

30. Government of Pakistan issues currency on the basis of:

- a. Availability of gold in the country
- b. Availability of dollar in the country
- c. Demand for money in the country

d. Tax collection

Answer is = C

31. Which property the paper money does not possess

- a. Acceptability
- b. Divisibility
- c. Durability
- d. Portability

Answer is = C

32. Velocity of circulation of money means.

- a. the number of times a unit of money changes hands daily
- b. the number of times a unit of money changes hands monthly
- c. the number of times a unit of money changes hands annually
- d. the number of times a unit of money changes hands value

Answer is = C

33. When the nation's money supply is Rs. 1200 billion and GDP is Rs. 4800 billion, velocity of money is

- a. 0.25
- b. 4
- c. 0.4
- d. 4 billion rupees

Answer is = B

34. If quantity of money is doubled, then according to Quantity Theory, value of money is

- a. Remains constant
- b. Double
- c. Half
- d. None of the above

Answer is = C

35. According to Keynes, demand for money is affected by

- a. Income
- b. Rate of interest
- c. Literacy rate
- d. A and B of above

Answer is = D

36. Which people of most likely to again during inflation?

- a. Those living on pension
- b. Those living on there saving
- c. Those who are repaying borrowed money

Answer is = C

37. If quantity of money increases 100 % other things remaining constant, value of changes by

- a. Increases by 100 %
- b. Decreases by 100 %
- C. Decreases by 200 %
- d. Dose not changes

Answer is = B

38. When banks prepare their balance sheets, they show the money lent in

- a. Liability
- b. Assets
- c. Both assets and liabilities
- d. None

Answer is = B

39. The power of a bank to create credit is affected by

- a. The cash reserve requirements
- b. The amount of cash available
- c. The number of branches of a bank
- d. A and B of above

Answer is = D

40. A bank has Rs. 5 million in cash. The minimum reserve ratio is 20 %. What is maximum potential increases in total deposits?

- a. 0
- b. 5m
- c. 10m
- d. 25m

Answer is = D

41. When a commercial bank creates credit, its immediate effect is that it raises

- A. The exchanges rate
- B. The insert rate
- C. The money supply

D. The real national income

Answer is = C

42. State Bank of Pakistan was established in

A. 1948.

B. 1950

C. 1952

D. 1954

Answer is = A

43. 10-rupee note is issued by

A. National Bank

B. State Bank

C. Govt of Pakistan

D. Governor state Bank

Answer is = B

44. Which is the most widely used tool of monetary policy?

A. Clearing house

B. open market operations

C. discount rate

D. issuing of notes

Answer is = B

45. when the state bank wants to decrease money supply in the country, it

A. buys govt securities in stock market

B. sells govt. securities

C. lowers discount rate

D. B and C of above.

Answer is = B

46. Central bank's rate of lending to commercial banks is called

A. Interest rate

B. discount rate

C. money rate

D. control rate

Answer is = B

47. When a central bank wants to increase money supply in circulation it called?

A. Purchase govt. securities

- B. Lowers bank rate
- C. Directs banks to advance more loans
- D. A and B

Answer is = D

48. Every country establishes central bank to

- A. Issue notes
- B. Supervise commercial banks
- C. Give loans to businessmen
- D. A and B

Answer is = D

49. Which is a monetary measure to increase employment?

- A. Increase in Govt . expenditure
- B. Reduce Govt. expenditure
- C. Increase in Interest rate
- D. Reducing interest rate

Answer is = D

50. Treasury bill is used for

- A. Getting short term loans
- B. Getting long term loans
- C. Treasury bill is not credit instrument
- D. Treasury bill is a Govt. tax bill

Answer is = A

Regard,

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