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1. **The best measure to see overall performance of an economy of a country is**
   (A) GDP
   (B) GNP
   (C) NNP
   (D) NNI

2. **National Income (or National Income at Factor Cost) = ?**
   (A) NNP – Indirect Taxes
   (B) NNP – Subsidies
   (C) NNP + Indirect Taxes – Subsidies
   (D) NNP – Indirect Taxes + Subsidies

3. **The nominal GDP of a certain country in 2010 was $80 billion and in 2013 was $64 billion. What is percent drop in nominal GDP is _____ %.**
   (A) 16
   (B) 18
   (C) 20
   (D) 22

4. **The term "Goods are scarce" means?**
   (A) There is no supply of goods
   (B) There is no demand of goods
   (C) Goods are limited relative to desires
   (D) Goods are expensive because of shortage

5. **When demand is price-inelastic, a price decrease**
   (A) reduces total revenue
   (B) increases total revenue
   (C) reduces total demand
   (D) increases total demand

6. **As the amount of a good consumed increases, the _____ of that good tends to diminish.**
   (A) profit
   (B) cost
   (C) propensity to consume
   (D) marginal utility

7. **When a country's currency falls in value relative to that of another country, the first country's currency has undergone**
   (A) depreciation
   (B) appreciation
   (C) devaluation
   (D) revaluation

8. **Pakistan is _____ largest country in terms of population.**
   (A) 5th
   (B) 6th
   (C) 7th
   (D) 8th

9. **Pakistan is _____ largest country in terms of nominal GDP.**
   (A) 36th
   (B) 40th

(C) 42nd
(D) 44th

10. **The agriculture sector employs _____ of the country's labor force.**
    (A) 30
    (B) 35
    (C) 40
    (D) 45

11. **The basic economic problems will not be solved by**
    (A) Market forces
    (B) Government intervention
    (C) A mixture of government intervention and the free market
    (D) The creation of unlimited resources

12. **A mixed economy**
    (A) Allocates resources via supply but not demand
    (B) Allocates resources via demand but not supply
    (C) Allocates resources via supply and demand
    (D) Allocates resources via market forces and government intervention

13. **Economic growth can be shown by**
    (A) An inward shift of the production possibility frontier
    (B) A movement along the production possibility frontier
    (C) An outward shift of the production possibility frontier
    (D) A decision by the government to produce inside the production possibility frontier

14. **Which best describes a demand curve**
    (A) The quantity consumers would like to buy in an ideal world
    (B) The quantity consumers are willing to sell
    (C) The quantity consumers are willing and able to buy at each and every income all other things unchanged
    (D) The quantity consumers are willing and able to buy at each and every price all other things unchanged

15. **If marginal cost is positive and falling**
    (A) Total cost is falling
    (B) Total cost is increasing at a falling rate
    (C) Total cost is falling at a falling rate
    (D) Total cost is increasing at an increasing rate

16. **If a product is an inferior good**
    (A) Demand is inversely related to income
    (B) Demand is inversely related to price
    (C) Demand is directly related to price
    (D) Demand is directly related to the price of substitutes

17. **Average income increases from £20,000 p.a. to £22,000 p.a. Quantity demanded per year increases from 5000 to 6000 units. Which of the following is correct?**
    (A) Demand is price inelastic
    (B) The good is inferior

(C) Income elasticity is –2

(D) The product is normal

18. **The income elasticity is +2 and income increases by 20%. Sales were 5000 units, what will they be now?**

    (A) 3000

    (B) 7000

    (C) 5500

    (D) 4500

19. **A reduction in the costs of production will**

    (A) Lead to a movement along the supply curve

    (B) Shift the demand curve

    (C) Shift the supply curve

    (D) Lead to an extension of supply

20. **If the price was fixed below the equilibrium price there would be**

    (A) Excess supply

    (B) Excess demand

    (C) Equilibrium

    (D) Downward pressure on prices

21. **Total costs increase from £500 to £600 when output increases from 20 to 30 units. Fixed costs are £200. Which of the following is true?**

    (A) Marginal cost is £20

    (B) Average cost falls

    (C) Variable cost rises by £100

    (D) Average fixed cost is £100

22. **If marginal product is below average product**

    (A) The total product will fall

    (B) The average product will fall

    (C) Average variable costs will fall

    (D) Total revenue will fall

23. **Firms in perfect competition face a**

    (A) Perfectly elastic demand curve

    (B) Perfectly inelastic demand curve

    (C) Perfectly elastic supply curve

    (D) Perfectly inelastic supply curve

24. **In the long run equilibrium in perfect competition**

    (A) Price = average cost = marginal cost

    (B) Price = average cost = total cost

    (C) Price = marginal revenue = total cost

    (D) Total revenue = total variable cost

25. **A monopolist faces**

    (A) An upward sloping demand curve

    (B) A perfectly elastic demand curve

    (C) A downward sloping demand curve

    (D) none of these

26. **If a few firms dominate an industry the market is known as**

    (A) Monopolistic competition

(B) Competitively monopolistic

(C) Duopoly

(D) Oligopoly

27. In a cartel member firms may be given a fixed amount to produce. This amount is called a

(A) Limit

(B) Factor

(C) Quota

(D) Quotient

28. In the Kinked Demand Curve theory it is assumed that

(A) An increase in price by the firm is not followed by others

(B) An increase in price by the firm is followed by others

(C) A decrease in price by the firm is not followed by others

(D) Firms collude to fix the price

29. In Game Theory

(A) Firms are always assumed to act independently

(B) Firms are always assumed to cooperate with each other

(C) Firms always collude as part of a cartel

(D) Firms consider the actions of others before deciding what to do

30. In monopolistic competition firms profit maximize where

(A) Marginal revenue = Average revenue

(B) Marginal revenue = Marginal cost

(C) Marginal revenue = Average cost

(D) Marginal revenue = Total cost

31. The Gini coefficient measures

(A) Income inequality

(B) Inflation

(C) Unemployment

(D) Economic growth

32. Aggregate demand will increase if

(A) Consumption falls

(B) Investment falls

(C) Exports fall

(D) Imports fall

33. If the marginal propensity to consume domestic products is 0.9 the size of the multiplier is

(A) 10

(B) 1

(C) 9

(D) 0.1

34. If the Keynesian consumption function is C = 10 + 0.8 Yd then when disposable income is £1000, what is total consumption?

(A) 0.8

(B) 800

(C) 810

(D) 0.81

35. **The accelerator assumes**
    (A) The marginal propensity to consume is constant
    (B) The economy is at full employment
    (C) There is a constant relationship between net investment and the rate of change of output
    (D) The multiplier is constant

36. **In a regressive tax system**
    (A) The amount of tax paid increases with income
    (B) The average rate of tax decreases with more income
    (C) The average rate of tax falls as income increases
    (D) The average rate of tax is constant as income increases

37. **The liquidity trap occurs when the demand for money**
    (A) Is perfectly interest elastic
    (B) Is perfectly interest inelastic
    (C) Means that an increase in money supply leads to a fall in the interest rate
    (D) Means that an increase in the money supply leads to an increase in the interest rate

38. **Inflation**
    (A) Reduces the cost of living
    (B) Reduces the standard of living
    (C) Reduces the price of products
    (D) Reduces the purchasing power of a pound

39. **Free trade is based on the principle of**
    (A) Comparative advantage
    (B) Comparative scale
    (C) Economies of advantage
    (D) Production possibility advantage

40. **An appreciation of the currency is likely to occur if**
    (A) Domestic interest rates fall
    (B) There is an increase in demand for imports
    (C) There is an increase in demand for exports
    (D) There is an increase in the balance of payments deficit

41. **Stating that taxes should be raised to help the poor is an example of**
    (A) A positive economic statement
    (B) A normative economic statement
    (C) A testable fact
    (D) An objective economic statement

42. **A PPF can indicate all of the following, except**
    (A) The effect of an increase in the use of new technology
    (B) The opportunity cost of increasing production of one good
    (C) Consumer preferences
    (D) Economic growth

43. **A demand curve can shift to the right by all of the following, except**
    (A) A fall in price of the good
    (B) A fall in the price of a complement

(C) A rise in the price of a substitute

(D) An increased preference for the good

44. **A supply curve can shift to the left due to all of the following, except**

(A) An increase in VAT

(B) A reduced subsidy

(C) An increase in wages

(D) An increase in the use of new technology

45. **The price of tomatoes is currently 50p per kilo, and a shop currently sells 1000 kilos per week. It then reduces price to 40p and finds that it now sells 1400 kilos per week. Its PED is**

(A) -0.5

(B) +0.5

(C) -2.0

(D) +2.0

46. **The price of tomatoes falls from 50p to 40p, and tomato growers supply the same amount to shops. The PES is**

(A) Zero

(B) Infinite

(C) Equal to one

(D) Impossible to calculate

47. **When the price of good X rises the demand for good Y also rises. X and Y are**

(A) Inferior goods

(B) Complements

(C) Substitutes

(D) Normal goods

48. **When the price of good A rises the demand for good B falls, A and B are**

(A) Inferior goods

(B) Complements

(C) Substitutes

(D) Normal goods

49. **Income elasticity of demand for an inferior good is always**

(A) Negative

(B) Positive

(C) > 1

(D) < 1

50. **The effect of a fall in the price of a normal good is to**

(A) Increase producer surplus

(B) Increase consumer surplus

(C) Decrease consumer surplus

(D) Reduce demand for a complementary good