Question No : 1 of 60 Marks: 1 (Budgeted Time 1 Min)

Consumers will maximize satisfaction when:

Answer (Please select your correct option)

○ The price of each good is exactly equal to the price of every other good consumed.

○ The price of each good is exactly equal to the total utility derived from the consumption of every other good.

○ The marginal utility of the last dollar spent on each good is exactly equal to the marginal utility of the last dollar spent on any other good.

○ Marginal utility is equal to average utility.

Question No : 2 of 60 Marks: 1 (Budgeted Time 1 Min)

The supply curve for a competitive firm is:

Answer (Please select your correct option)

○ Its entire marginal cost curve.

○ The upward-sloping portion of its marginal cost curve.

○ Its marginal cost curve above the minimum point of the average variable cost curve.

○ Its marginal cost curve above the minimum point of the average total cost curve.

Question No : 3 of 60   **Marks: 1 (Budgeted Time 1 Min)**

Compared to the equilibrium price and quantity sold in a competitive market, a monopolist will charge a _____ price and sell a _____ quantity.

Answer (Please select your correct option)

○ Higher; larger.

○ Lower; larger.

○ Higher; smaller.

○ Lower; smaller.

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Question No : 4 of 60   **Marks: 1 (Budgeted Time 1 Min)**

When a firm charges each customer the maximum price that the customer is willing to pay, the firm:

Answer (Please select your correct option)

○ Engages in a discrete pricing strategy.

○ Charges the average reservation price.

○ Engages in second-degree price discrimination.

○ Engages in first-degree price discrimination.

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Question No : 5 of 60   Marks: 1 (Budgeted Time 1 Min)

Consumption spending, investment expenditures, government expenditures and net exports are:

Answer (Please select your correct option)

○ The components of household income.

○ The components of aggregate supply.

○ The components of aggregate demand.

○ The components of government revenue.

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Question No : 6 of 60   Marks: 1 (Budgeted Time 1 Min)

How many methods are there to measure Gross Domestic Product?

Answer (Please select your correct option)

○ Three.

○ Four.

○ Five.

○ Six.

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Question No : 7 of 60   **Marks: 1 (Budgeted Time 1 Min)**

Final goods are meant for:

Answer (Please select your correct option)

- Direct use by the consumers.
- Further processing.
- The term do not exist.
- None of the given options.

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Question No : 8 of 60   **Marks: 1 (Budgeted Time 1 Min)**

Endogenous growth theory was developed in:

Answer (Please select your correct option)

- 1980.
- 1965.
- 1970.
- 1950.

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Question No : 9 of 60 | Marks: 1 (Budgeted Time 1 Min)

The IS curve shows all the combinations of income and:

Answer (Please select your correct option)

- Interest rate for which the goods market is in equilibrium.
- Interest rate for which the money market is in equilibrium.
- Price level for which the goods market is in equilibrium.
- Price level for which the money market is in equilibrium.

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Question No : 10 of 60 | Marks: 1 (Budgeted Time 1 Min)

If the demand curve for a good is downward sloping, then the good:

Answer (Please select your correct option)

- Must be normal.
- Must be inferior.
- Must be giffen.
- Can be normal or inferior.

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Question No : 11 of 60   Marks: 1 (Budgeted Time 1 Min)

Which of the following is TRUE about the upward-sloping aggregate supply curve?

Answer (Please select your correct option)

- As firms increase their level of output, the cost of producing an extra unit increases.
- An increase in aggregate demand causes little, if any increase in real output the economy is operating in the long run.
- Any increase in aggregate demand causes the output of producers to fall because the general price level rises.
- None of the given options.

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Question No : 12 of 60   Marks: 1 (Budgeted Time 1 Min)

The nominal exchange rate is defined as the:

Answer (Please select your correct option)

- Market on which currencies of various nations are traded for one another.
- Price of one unit of foreign good in terms of domestic good.
- Price of one unit of foreign currency in terms of domestic currency.
- All of the given options.

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Firm A produces and sells cotton to firm B for Rs. 500. Firm B makes yarn out of it and sells to firm C for Rs. 700. Firm C makes cloth and sell to consumers for Rs. 1200. Which figure has to be used for finding the economy's product?

Answer (Please select your correct option)

○ Rs. 500 of firm A.

○ Rs. 700 of firm B.

○ Rs. 1200 of firm C.

○ Total of all three Rs. 2400.

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For knowing the spending capacity of the household sector, we have to use the concept of:

Answer (Please select your correct option)

○ National income.

○ Personal income.

○ Private income.

○ Personal disposable income.

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Marks: 1 (Budgeted Time 1 Min)

Labor supply curve is backward bending because:

Answer (Please select your correct option)

○ The income effect of higher income dominates the substitution effect of higher wages.

○ The substitution effect of higher income dominates the income effect of higher wages.

○ The income effect of higher income dominates the price effect of higher wages.

○ None of the given options.

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Marks: 1 (Budgeted Time 1 Min)

The discounted value of the net returns that the asset generates over a period of time plus the discounted value of its disposal value at the end of the period minus the initial purchase cost is known as:

Answer (Please select your correct option)

○ Future value.

○ Net present value.

○ Discounted value.

○ Disposal value.

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Question No : 17 of 60   Marks: 1 (Budgeted Time 1 Min)

Information products are also known as:

Answer (Please select your correct option)

- Inferior products.
- Superior products.
- Internet products.
- Expensive products.

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Question No : 18 of 60   Marks: 1 (Budgeted Time 1 Min)

A public good is non-rival because:

Answer (Please select your correct option)

- One person's use or consumption does not reduce the ability of another to use it.
- It is difficult to exclude users once the good is available.
- External benefits are generated through its consumption.
- External costs are generated through its production.

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What is the international trade effect that explains why the aggregate demand curve slopes downward?

Answer (Please select your correct option)

- An increase in net exports shifts the aggregate demand curve to the right.
- An increase in the domestic price level reduces net exports leading to a movement along the aggregate demand curve.
- An increase in the exchange rate shifts the aggregate demand curve to the right.
- An increase in the prices of foreign goods level reduces imports leading to a movement along the domestic economy's aggregate demand curve.

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A change from $1.00 = Rs. 82.00 to $1.00 = Rs. 80.00 represents:

Answer (Please select your correct option)

- An appreciation of the dollar.
- An appreciation of the rupee.
- Depreciation of the rupee.
- None of the given options.

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Question No : 21 of 60   **Marks: 1 (Budgeted Time 1 Min)**

Which of the following is included in M2 but not in M1?

Answer (Please select your correct option)

- Currency.
- Demand deposits.
- Time deposits.
- Debit cards.

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Question No : 22 of 60   **Marks: 1 (Budgeted Time 1 Min)**

Which of the following statement describes decreasing returns to scale?

Answer (Please select your correct option)

- Increasing the inputs by 1/4% leads to a 1/2% increase in output.
- Increasing inputs by 1/2 leads to an increase in output of 1/6.
- Doubling the inputs used leads to double the output.
- None of the given options.

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The marginal propensity to save (MPS) is:

Answer (Please select your correct option)

○ 1 / Marginal propensity to consume.

○ 1 – Income.

○ 1 / Income.

○ 1 – Marginal propensity to consume.

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The multiplier is a related concept which formalizes the output response to:

Answer (Please select your correct option)

○ Saving.

○ Investment.

○ Taxes.

○ Inflation.

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Currently Pakistan is maintaining:

Answer (Please select your correct option)

○ Fixed exchange rate.

○ Floating exchange rate.

○ Composition of fix and floating exchange rate.

○ None of the given options.

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If imports are greater than exports of any country, than that country will face:

Answer (Please select your correct option)

○ Current account deficit.

○ Current account surplus.

○ Fiscal deficit.

○ Devaluation in local currency.

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Question No : 27 of 60

Marks: 1 (Budgeted Time 1 Min)

Which of the following is not the function of money?

Answer (Please select your correct option)

- A store of value.
- Unit of count.
- Medium of exchange.
- Unit of account.

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Question No : 28 of 60

Marks: 1 (Budgeted Time 1 Min)

The demand for money to meet any urgent or unexpected expenditure is called:

Answer (Please select your correct option)

- Transactions demand for money.
- Precautionary demand for money.
- Speculative demand for money.
- None of the given options.

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Question No : 29 of 60   **Marks: 1 (Budgeted Time 1 Min)**

The developing countries often face two gaps, foreign exchange gap and:

Answer (Please select your correct option)

○   Saving and investment gap.

○   Income and consumption gap.

○   Aggregate demand and aggregate supply gap.

○   None of the given options.

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Question No : 30 of 60   **Marks: 1 (Budgeted Time 1 Min)**

Production possibilities frontier (PPF) will shift downward if there is:

Answer (Please select your correct option)

○   An increase in technology.

○   An increase in the size of the working-age population.

○   A decrease in the size of the working-age population.

○   Increased production of capital goods.

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Question No : 31 of 60

Marks: 1 (Budgeted Time 1 Min)

Price per unit

D_4

Answer (Please select your correct option)

○

○

○

○

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Question No : 32 of 60

Marks: 1 (Budgeted Time 1 Min)

If there is a difference between the MU_x/P_x and the MU_y/P_y, we expect that a consumer will:

Answer (Please select your correct option)

○ Continue to purchase the quantities generating this outcome.

○ Buy more of good x.

○ Buy more of good y.

○ Change the quantities of good x and y in their current purchase basket.

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Question No : 33 of 60   Marks: 1 (Budgeted Time 1 Min)

Ali, a careful maximizer of utility, consumes only two goods butter and potato. He had just achieved the utility maximizing solution in his consumption of the two goods when the price of potato rose. As he adjusts to this event, he will consume:

Answer (Please select your correct option)

○ More butter and less potato.

○ Less butter and less potato.

○ More butter and more potato.

○ Less butter and more potato.

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Question No : 34 of 60   Marks: 1 (Budgeted Time 1 Min)

The total cost (TC) function is given as: TC = 200 + 5Q. What is the variable cost?

Answer (Please select your correct option)

○ 5Q

○ 5

○ 5 + (200/Q)

○ 200

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Question No : 35 of 60   Marks: 1 (Budgeted Time 1 Min)

Monopoly profits can be invested in which of the following areas?

Answer (Please select your correct option)

- Research and development.

- Human resource development.

- Development of new innovative products.

- They can be invested in all of the given areas.

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Question No : 36 of 60   Marks: 1 (Budgeted Time 1 Min)

Usually, for electric sales, the electric power company uses block pricing strategy. It is an example of:

Answer (Please select your correct option)

- First-degree price discrimination.

- Second-degree price discrimination.

- Third-degree price discrimination.

- Block pricing is not a type of price discrimination.

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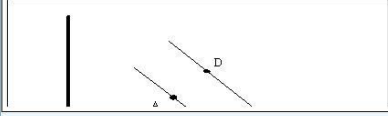
Question No : 37 of 60   Marks: 1 (Budgeted Time 1 Min)

Answer (Please select your correct option)

○ Is a change in aggregate demand resulting from a lower price level.

○ Is change in aggregate quantity demanded resulting from a lower price level.

○ Could be due to an increase in investment demand.

○ Occurs because aggregate output supplied has increased.

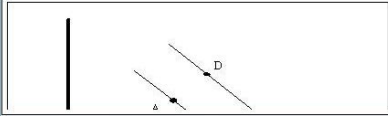Start Time: 10:03 PM
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Question No : 38 of 60   Marks: 1 (Budgeted Time 1 Min)

Answer (Please select your correct option)

○ An increase in the domestic price level.

○ An increase in exports.

○ An increase in imports.

○ A decrease in defense spending.

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For Solved Visit **VU Answer**

Question No : 39 of 60   Marks: 1 (Budgeted Time 1 Min)

All of the following are transfer payments EXCEPT:

Answer (Please select your correct option)

○ Unemployment compensation.

○ Pension to retired employees.

○ Social security contributions.

○ Payment to a domestic servant.

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Question No : 40 of 60   Marks: 1 (Budgeted Time 1 Min)

If disposable income increases from Rs. 7 trillion to Rs. 8 trillion and as a result, consumption expenditures increase from Rs. 9 trillion to Rs. 9.8 trillion, the Marginal Propensity to Consume is:

Answer (Please select your correct option)

○ 1.0.

○ 0.80.

○ 0.875.

○ 0.91.

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For Solved Visit **VU Answer**

Disposable Personal Income (Rupees)	Consumption (Rupees)
100	140
200	220
300	300
400	380

Answer (Please select your correct option)

○ −40

○ −20

○ 0

○ 20

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Which of the following will influence a country's exports?

Answer (Please select your correct option)

○ Costs of transporting goods from country to country.

○ Consumer tastes for domestic and foreign goods.

○ Prices of goods at home and abroad.

○ All of the given options.

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Marks: 1 (Budgeted Time 1 Min)

If a Pakistani radio priced at Rs.1, 500 can be purchased for $10, the exchange rate is:

Answer (Please select your correct option)

- 150
- 1510
- 1490
- 2.50

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Marks: 1 (Budgeted Time 1 Min)

What is TRUE for a poor country?

Answer (Please select your correct option)

- The supply of capital is low.
- The demand for capital is low.
- Both the supply of and demand for capital are low.
- Their GDP growth rate is very high.

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Question No : 45 of 60   **Marks: 1 (Budgeted Time 1 Min)**

Which of the following is a necessary condition for the high rate of modern economic growth?

Answer (Please select your correct option)

○ Continuous technology progress

○ High rate of population growth

○ Development of urban centers

○ Expansion of railways

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Question No : 46 of 60   **Marks: 1 (Budgeted Time 1 Min)**

The money multiplier is the reverse of:

Answer (Please select your correct option)

○ Legal reserves.

○ Excess reserves.

○ Checkable deposits.

○ Reserve ratio.

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Question No : 47 of 60 **Marks: 1 (Budgeted Time 1 Min)**

How should monetary policy be used during recessions?

Answer (Please select your correct option)

○ Decrease money supply to increase interest rate and increase aggregate demand.

○ Increase money supply to increase interest rate and increase aggregate demand.

○ Decrease money supply to decrease interest rate and increase aggregate demand.

○ Increase money supply to decrease interest rate and increase aggregate demand.

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Question No : 48 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Which of the following statements describes monetary policy goals?
   I.   Maintain high interest rates.
   II. Keep unemployment rates low.
   III. Reduce the size of the banking sector.
   IV. Prevent high rates of inflation.

Answer (Please select your correct option)

○ I, II, III, and IV

○ I, II, and III

○ II, III, and IV

○ II and IV

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For Solved Visit **VU Answer**

What will be the impact if agriculture sector is neglected in the development process?

Answer (Please select your correct option)

- It can lead to insufficient savings.
- It can lead to shortage of foreign exchange.
- It can lead to lower levels of production.
- All of the given conditions can happen.

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Which of the following is NOT the World Bank's structural reform policy?

Answer (Please select your correct option)

- FDI liberalization.
- Trade liberalization.
- Financial liberalization.
- Same monetary policy for all countries.

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For Solved Visit **VU Answer**

Question No : 51 of 60 Marks: 1 (Budgeted Time **1 Min**)

The maximum price that a consumer is willing to pay for a good is called:

Answer (Please select your correct option)

○ The reservation price.

○ The market price.

○ The second-degree price.

○ The block price.

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Question No : 52 of 60 Marks: 1 (Budgeted Time **1 Min**)

If different firms in the oligopolistic structure do not cooperate with each other, this situation is known as:

Answer (Please select your correct option)

○ Collusive oligopoly.

○ Cartel.

○ Price leadership.

○ Non-collusive oligopoly.

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Question No : 53 of 60 Marks: 3 (Budgeted Time 6 Min)

Briefly discuss the concept of Pareto Efficiency.

Answer (Please click here to Add Answer)

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Question No : 54 of 60 Marks: 3 (Budgeted Time 6 Min)

When does the real wage unemployment occur in an economy? Discuss.

Answer (Please click here to Add Answer)

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Question No : 55 of 60   Marks: 3 (Budgeted Time 6 Min)

Differentiate between demand pull inflation and cost push inflation.

Answer (Please click here to Add Answer)

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Question No : 56 of 60   Marks: 5 (Budgeted Time 10 Min)

How can a current account, which is in deficit, be restored to balance under fixed exchange rate regimes?

Answer (Please click here to Add Answer)

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Question No : 57 of 60   Marks: 5 (Budgeted Time 10 Min)

A. Differentiate between total utility and marginal utility.
B. If total utility function is TU = 20Q − 8Q^2 then calculate the marginal utility function.

(Marks: 3+2)

Answer (Please click here to Add Answer)

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Question No : 58 of 60   Marks: 5 (Budgeted Time 10 Min)

Some economists suggest "growth through resource transfer" and "growth through stabilization and reforms" strategies to tackle the problem of poverty of under developed countries. What is the basic theme of both these strategies? Discuss.

Answer (Please click here to Add Answer)

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Answer (Please click here to Add Answer)

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It is well known that the study of national income accounting is highly important from the point of view of economic development of a country. Discuss the importance of national income accounting especially for developing countries like Pakistan.

Answer (Please click here to Add Answer)

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