The price elasticity of demand measures the responsiveness of quantity demanded to:

Answer (Please select your correct option)

- Quantity demanded.
- Quantity supplied.
- Price.
- Output.

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A production function:

Answer (Please select your correct option)

- Relates inputs with output.
- Generates a curve that is upward sloping.
- Shows diminishing marginal product of an input, since it gets flatter as output rises.
- All of the given options.

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Diminishing marginal returns implies:

Answer (Please select your correct option)

- Decreasing marginal costs.
- Increasing marginal costs.
- Decreasing average variable costs.
- Decreasing average fixed costs.

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3

Welfare economics is the branch of economics which deals with:

Answer (Please select your correct option)

- Positive issues.
- Normative issues.
- Micro issues.
- Macro issues.

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Question No : 5 of 60

Marks: 1 (Budgeted Time 1 Min)

The kinked demand curve model is based on which of the following assumptions?

Answer (Please select your correct option)

Each firm considers its rival's output to be fixed.

Each firm considers its rival's price to be fixed.

Each firm believes rivals will match all price changes.

None of the given options.

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Question No : 6 of 60

Marks: 1 (Budgeted Time 1 Min)

Keynesian economics rejected the classical assumption that:

Answer (Please select your correct option)

Supply creates its own demand.

Prices and wages are inflexible.

Self-correction takes a long time.

Consumption expenditures depend on disposable income.

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A new skills training initiative is aimed at increasing the ability of those out of work to take the jobs on offer in a rapidly changing environment shows:

Answer (Please select your correct option)

Frictional Unemployment.

Structural Unemployment.

Demand Deficient Unemployment.

Real Wage Unemployment.

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The labour force is made up of:

Answer (Please select your correct option)

The number of people employed minus the number of people unemployed.

The number of people employed plus the number of people unemployed.

Just the number of people employed.

The whole population.

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Current account deficit is equal to:

Answer (Please select your correct option)

- Private sector resource deficit.
- Government budget deficit.
- Private sector resource deficit + Government budget deficit.
- None of the given options.

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Which of the following is the narrowest and most traditional definition of money?

Answer (Please select your correct option)

- M1.
- M2.
- M3.
- M4.

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All of the following conditions lead to the successful operation of a cartel EXCEPT:

Answer (Please select your correct option)

- Market demand for the good is relatively inelastic.
- The cartel supplies all of the world's output of the good.
- Cartel members have substantial cost advantages over non-member producers.
- The supply of non-cartel members is very price elastic.

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Those who hold the classical view of the labour market are likely to believe that:

Answer (Please select your correct option)

- Monetary but not fiscal policy will have an effect on output and employment.
- Fiscal but not monetary policy will have an effect on output and employment.
- Both monetary and fiscal policy will have an effect on output and employment.
- Neither monetary nor fiscal policy will have an effect on output and employment.

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Keeping in view the model of aggregate supply and aggregate demand, in the long run, an increase in the money supply should cause:

Answer (Please select your correct option)

- Both prices and output to rise.

- Prices to fall and output to remain unchanged.

- Both prices and output to fall.

- Prices to rise and output to remain unchanged.

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The total expenditures in an economy are not equal to total income in which of the following cases?

Answer (Please select your correct option)

- If total saving is larger than total investment.

- If net exports are not zero.

- If inventory investment is negative.

- None of the given options.

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Question No : 15 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is NOT included in National income?

Answer (Please select your correct option)

○ Profits and rents.

○ Wages and salaries.

○ Interest on capital.

○ Transfer incomes.

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Question No : 16 of 60 Marks: 1 (Budgeted Time 1 Min)

Public education creates:

Answer (Please select your correct option)

○ Asymmetric information.

○ External costs.

○ Internal costs.

○ External benefits.

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The unemployed individuals are those who are:

Answer (Please select your correct option)

○ Not currently working but are actively looking for work.

○ Working but looking for a different job.

○ Not currently working.

○ Working less than their desired amount of time.

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In the equation of exchange, if velocity is stable in the long run then:

Answer (Please select your correct option)

○ $\%\Delta V = 0$.

○ $\%\Delta V = 1$.

○ $\%\Delta V$ is a positive constant value > 0.

○ $\%\Delta V = $ infinity.

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Question No : 19 of 60   Marks: 1 (Budgeted Time 1 Min)

Most nations of the world are:

Answer (Please select your correct option)

- Closed economies.
- Open economies.
- Self sufficient.
- Non trading nations.

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Question No : 20 of 60   Marks: 1 (Budgeted Time 1 Min)

The decrease in the price of one country's currency in terms of other currencies due to the market forces of demand and supply is known as:

Answer (Please select your correct option)

- Revaluation.
- Devaluation.
- Appreciation.
- Depreciation.

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Marks: 1 (Budgeted Time 1 Min)

The decrease in the price of one country's currency in terms of other currencies due to the market forces of demand and supply is known as:

Answer (Please select your correct option)

- Revaluation.

- Devaluation.

- Appreciation.

- Depreciation.

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Marks: 1 (Budgeted Time 1 Min)

Which of the following best describes the economic growth?

Answer (Please select your correct option)

- An increase in aggregate demand which causes a movement along the short-run aggregate supply curve.

- Continuous outward shift of aggregate demand.

- A long term expansion of a country's potential GDP.

- The avoidance of a negative output gap.

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Question No : 22 of 60

Marks: 1 (Budgeted Time 1 Min)

The government has a budget deficit if:

Answer (Please select your correct option)

- Its total revenues are equal to its total expenditures.

- Its total revenues are less than its total expenditures.

- Its total revenues are greater than its total expenditures.

- The money supply is less than total expenditures.

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Question No : 23 of 60

Marks: 1 (Budgeted Time 1 Min)

A tax on individual's income is known as:

Answer (Please select your correct option)

- Sales tax.

- Excise tax.

- Corporate income tax.

- Personal income tax.

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Question No : 24 of 60   Marks: 1 (Budgeted Time 1 Min)

The item which serves as a medium of exchange is known as:

Answer (Please select your correct option)

○ Gold.

○ Capital.

○ Silver.

○ Money.

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Question No : 25 of 60   Marks: 1 (Budgeted Time 1 Min)

In which of the following conditions, a welfare loss occurs in monopoly?

Answer (Please select your correct option)

○ Where the price is greater than the marginal cost.

○ Where the price is greater than the marginal benefit.

○ Where the price is greater than the average revenue.

○ Where the price is greater than the marginal revenue.

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Question No : 26 of 60   Marks: 1 (Budgeted Time 1 Min)

Assume that there is no government or foreign sector, if the marginal propensity to save (MPS) is 0.2, then the value of saving multiplier will be equal to:

Answer (Please select your correct option)

○ 0.80

○ 1.20

○ 0.50

○ 1.25

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Question No : 27 of 60   Marks: 1 (Budgeted Time 1 Min)

If there is an excess demand for dollars in the market then it will:

Answer (Please select your correct option)

○ Pushes the exchange rate up.

○ Pushes the exchange rate down.

○ Not affect the exchange rate.

○ Increase poverty.

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Question No : 28 of 60

Marks: 1 (Budgeted Time 1 Min)

A process by which money is created is called:

Answer (Please select your correct option)

- Credit rationing.
- Credit expansion.
- Credit creation.
- None of the given options.

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Question No : 29 of 60

Marks: 1 (Budgeted Time 1 Min)

Money demand decreases when interest rate:

Answer (Please select your correct option)

- Increases.
- Decreases.
- Remains the same.
- All of the given options.

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If the exchange rate is fixed, expansionary fiscal policy would not have any:

Answer (Please select your correct option)

- Investment multiplier effect.
- Crowding out effects.
- Government spending effect .
- None of the given options.

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The concave shape of the production possibilities frontier (PPF) illustrates:

Answer (Please select your correct option)

- Increasing opportunity cost.
- Decreasing opportunity cost.
- Constant opportunity cost.
- Zero opportunity cost.

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Question No : 32 of 60 Marks: 1 (Budgeted Time 1 Min)

Price of rice (per bag)	Quantity demanded of rice by Rabia	Quantity demanded of rice by Ali	Quantity demanded of rice by Ahmad
90	10	0	60
80	15	10	80
70	20	20	100

Answer (Please select your correct option)

○ The law of demand

○ The law of supply

○ An increase in his income

○ A change in his taste and preferences

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

Demand is said to be price inelastic if a 20 percent change in the price of a good results in a percentage change (in absolute value terms) in quantity demanded that is:

Answer (Please select your correct option)

○ Less than 0.

○ Greater than 0 but less than 20.

○ Equal to 20.

○ Greater than 10.

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Suppose the total utility derived from first four units of a good consumed are 13, 23, 33, and 43 respectively. What is the marginal utility of the third unit?

Answer (Please select your correct option)

- 10.
- 13.
- 20.
- 33.

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The correlation between an asset's real rate of return and its risk (as measured by its standard deviation) is usually:

Answer (Please select your correct option)

- Positive.
- Strictly linear.
- Flat.
- Negative.

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Suppose that the total utilities corresponding to the first five units of a good consumed are 14, 20, 25, 29, and 32, respectively. The marginal utility of the third unit is:

Answer (Please select your correct option)

- 5.
- 6.
- 20.
- 25.

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Units of Good A per period	Total Utility	Marginal Utility
0	0	0
1	5	5
2	9	4
3	12	3

Answer (Please select your correct option)

- Increasing costs.
- Decreasing total returns.
- Diminishing average returns.
- Diminishing marginal utility.

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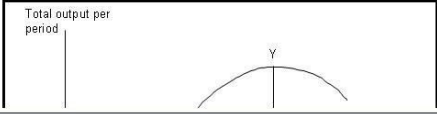
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Question No : 38 of 60

Marks: 1 (Budgeted Time 1 Min)

Total output per period

Y

Answer (Please select your correct option)

○ Increasing.

○ Zero.

○ Falling.

○ Infinite.

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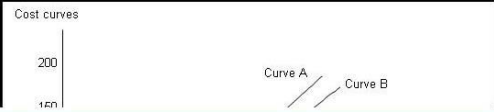**Question No : 39 of 60**

Marks: 1 (Budgeted Time 1 Min)

Cost curves

200

Curve A
Curve B

150

Answer (Please select your correct option)

○ Average total

○ Average variable

○ Marginal

○ Total

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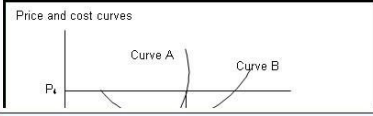
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Question No : 40 of 60   Marks: 1 (Budgeted Time 1 Min)

Price and cost curves

Curve A

Curve B

P₁

Answer (Please select your correct option)

○ Average cost curve.

○ Marginal revenue curve.

○ Marginal cost curve.

○ Average revenue curve.

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Question No : 41 of 60   Marks: 1 (Budgeted Time 1 Min)

All other things being equal, an increase in government spending will:

Answer (Please select your correct option)

○ Shift the aggregate demand curve to the right.

○ Shift the aggregate demand curve to the left.

○ Make the aggregate demand curve flatter.

○ Make the aggregate demand curve steeper.

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Question No : 42 of 60

Marks: 1 (Budgeted Time 1 Min)

Which of the following events could cause the aggregate demand curve to shift to the right?

Answer (Please select your correct option)

○ An increase in the rate of inflation.

○ A decrease in government expenditures.

○ A decrease in investment spending.

○ A decrease in income tax rates.

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Question No : 43 of 60

Marks: 1 (Budgeted Time 1 Min)

Which of the following is a benefit of real economic growth to a society?

Answer (Please select your correct option)

○ Everyone enjoys a greater nominal income.

○ The standard of living increases.

○ The burden of scarcity increases.

○ The society is less able to satisfy new wants.

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Question No : 44 of 60　　　　　　　　　　　　　Marks: 1 (Budgeted Time 1 Min)

Which of the following statements is TRUE about the difference between nominal GDP and real GDP?

Answer (Please select your correct option)

- Real GDP includes only goods; nominal GDP includes goods and services.
- Real GDP is measured using constant base-year prices; nominal GDP is measured using current prices.
- Real GDP is equal to nominal GDP less the depreciation of the capital stock.
- Real GDP is equal to nominal GDP multiplied by the CPI.

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

Which of the following is the component of total national investment?

Answer (Please select your correct option)

- Gross domestic fixed capital formation.
- Change in stocks.
- Export less imports.
- All of the given options.

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Which of the following is required to make the equation of exchange in the quantity theory of money?

Answer (Please select your correct option)

- Velocity and output are assumed to be constant.
- The money supply is assumed to be produced by the banking system and not exclusively in currency.
- The quantity of money is assumed to determine the amount of Real GDP.
- Money supply and prices are considered constant.

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Which of the following is equal to net exports?

Answer (Please select your correct option)

- Imports – exports.
- Domestic consumption – foreign consumption.
- Exports – imports.
- Foreign consumption – domestic consumption.

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Question No : 48 of 60   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 : 49 of 60   Marks: 1 (Budgeted Time 1 Min)

Which of the following shows the functions of money?

Answer (Please select your correct option)

- A conductor of economic activity, a medium of exchange and a store of value.

- A medium of exchange, a store of value and a factor of production.

- A store of value, a medium of exchange and a determinant of investment.

- A store of value, a unit of account and a medium of exchange.

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Question No : 50 of 60

Marks: 1 (Budgeted Time 1 Min)

What will be the impact of an increase of Rs.1 in government purchases?

Answer (Please select your correct option)

○ It will shift the expenditure line upward by Rs.1.

○ It will shift the IS curve to the right by Rs.1/ (1 - MPC).

○ It will not shift the LM curve.

○ All of the given options.

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Question No : 51 of 60

Marks: 1 (Budgeted Time 1 Min)

Why agriculture sector has an important role to play in the development process?

Answer (Please select your correct option)

○ Because a balanced approach to growth is necessary.

○ Because the vast majority of an under developed country is engaged in agriculture.

○ Because agriculture may be a major bottleneck in the process of development.

○ Because of all of the given options.

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

If the demand for using gym is price inelastic and your local gym owner increases the fee for using the gym, you would expect:

Answer (Please select your correct option)

○   A decrease in total revenue received by the gym owner.

○   An increase in total revenue received by the gym owner.

○   No change in total revenue received by the gym owner.

○   An increase in the hours that people will spend in gym.

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

Discuss the concept of accelerator in your own words.

Answer (Please click here to Add Answer)

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Marks: 3 (Budgeted Time 6 Min)

It is said that growth is an important macroeconomic issue. Why? Discuss.

Answer (Please click here to Add Answer)

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Marks: 3 (Budgeted Time 6 Min)

Differentiate between international trade and international finance.

Answer (Please click here to Add Answer)

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Explain the difference between endogenous growth model and exogenous growth model.

Answer (Please click here to Add Answer)

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Explain the difference between new Classical and new Keynesian schools of thought.

Answer (Please click here to Add Answer)

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For Solved Visit VU Answer

Marks: 5 (Budgeted Time 10 Min)

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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Marks: 5 (Budgeted Time 10 Min)

Differentiate between external economies of scale and external diseconomies of scale.

Answer (Please click here to Add Answer)

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For Solved Visit VU Answer

International monetary fund (IMF) suggests policies of stabilization "through demand management" to reduce poverty from developing countries. Were these policies successful? If not, give reasons.

Answer (Please click here to Add Answer)