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

A perfectly competitive firm maximizes profit by finding the level of production at which:

Answer (Please select your correct option)

- ○ Price = Marginal Cost.
- ○ Price = Average Total Cost.
- ○ Average Total Cost = Marginal Cost.
- ○ Price < Marginal Cost.

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

A schedule which shows the various amounts of a product consumers are willing and able to purchase at each price in a series of possible prices during a specified period of time is called:

Answer (Please select your correct option)

- ○ Supply schedule.
- ○ Demand schedule.
- ○ Quantity supplied schedule.
- ○ Quantity demanded schedule.

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

You observe that the price of houses and the number of houses purchased both rise over the course of the year. You conclude that:

Answer (Please select your correct option)

- The demand for houses has increased.
- The demand curve for houses must be upward-sloping.
- The supply of houses has increased.
- Housing construction costs must be decreasing.

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

Value of Marginal Product of Labor (VMP_L) is equal to:

Answer (Please select your correct option)

- MPP_L / P_i.
- MPP_L.
- P_i.
- $MPP_L \times P_i$.

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Marks: 1 (Budgeted Time 1 Min)

A profit maximizing firm will employ labour up to the point where:

Answer (Please select your correct option)

○ Marginal revenue = Marginal product.

○ Marginal cost = Marginal product.

○ Marginal revenue product = Average cost of labour.

○ Marginal revenue product = Marginal cost of labour.

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Marks: 1 (Budgeted Time 1 Min)

According to Keynes, the economy does not self correct quickly because:

Answer (Please select your correct option)

○ With less consumption and more savings the interest rate will drop.

○ In the short run workers are fully employed and cannot produce enough to get to long run equilibrium.

○ Wages and prices are flexible in the short run.

○ Wages and prices are sticky in the short run.

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Keynesian economics was largely developed to address the economic problems of the:

Answer (Please select your correct option)

- Bank panic of 1907.
- Stagflation of 1970s.
- Great Depression of 1930s.
- English industrial revolution of the late 1700s.

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Real Gross Domestic Product (GDP) is measured:

Answer (Please select your correct option)

- At base year prices.
- At current year prices.
- At a constant output level but at current prices.
- As the difference between the current year's GDP and last year's GDP.

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The relationship between consumer spending and income is known as the:

Answer (Please select your correct option)

- 45-degree line.
- Consumption function.
- Investment function.
- Consumer price index.

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Economic activity moves from a trough into a period of -------------- until it reaches a ----------------- and then into a period of -----------------.

Answer (Please select your correct option)

- Expansion; trough; recession
- Recession; trough; expansion
- Expansion; peak; recession
- Recession; peak; expansion

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The factors that influence the slope of the IS curve include:

Answer (Please select your correct option)

○ The baseline level of consumption spending and the level of foreign real GDP.

○ The marginal propensity to consume and the interest rate-sensitivity of investment spending.

○ The level of real GDP and the baseline level of investment spending.

○ Foreign real interest rates and the level of government purchases.

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In terms of the IS-LM model, an increase in tax rates should move the:

Answer (Please select your correct option)

○ IS curve leftward.

○ IS curve rightward.

○ LM curve rightward.

○ LM curve leftward.

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In Keynesian economics, if aggregate expenditures are less than aggregate output then:

Answer (Please select your correct option)

○ The price level rises.

○ Inventories decrease.

○ Employment decreases.

○ Aggregate output increases.

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Under monopoly, when the demand curve is downward sloping, marginal revenue is:

Answer (Please select your correct option)

○ Equal to price.

○ Equal to average cost.

○ Less than price.

○ More than price.

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After the collusion, oligopolists are able to:

Answer (Please select your correct option)

○ Raise price but not restrict output.

○ Raise price and restrict output but not attain the monopoly profit.

○ Raise price and restrict output and therefore attain the monopoly profit.

○ Restrict output but not raise price.

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Double counting in national income refers to:

Answer (Please select your correct option)

○ Counting a product more than once.

○ Counting a product at the final stage of output process.

○ Counting both as product and as factor payment.

○ Counting both as real goods and as money flow.

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GNP is a good indicator of:

Answer (Please select your correct option)

- The total payment of factor owners.
- The amount of consumption and investment.
- The conditions of production and employment.
- The amount of incomes available for spending.

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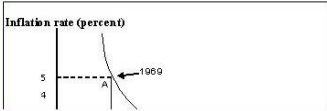
Inflation rate (percent)

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Answer (Please select your correct option)

- More unemployment for less inflation.
- Less unemployment for more inflation.
- A fixed amount of unemployment for more inflation.
- Less unemployment for less inflation.

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

Evidence suggests that all countries with very high _____ also have very high _____.

Answer (Please select your correct option)

- Inflation rates; money growth rates.
- Unemployment rates; GDP growth rates.
- GDP growth rates; government budget deficits.
- Government budget deficits; inflation rates.

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

What are the difficulties of comparing growth of different countries?

Answer (Please select your correct option)

- Lack of empirical data.
- Choice of a common denominator.
- Assigning weighs to the various items of output.
- All of the given options.

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

The relationship between tax rates and total tax collections by government is known as:

Answer (Please select your correct option)

○ Laffer curve.

○ Demand curve.

○ Supply curve.

○ Investment curve.

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

IS curve shows the equilibrium in:

Answer (Please select your correct option)

○ Money Market.

○ Goods Market.

○ Labor Market.

○ Financial Market.

Question No : 23 of 60 Marks: 1 (Budgeted Time 1 Min)

The advantage of international trade is:

Answer (Please select your correct option)

○ Its potential to increase the availability of goods and services to those nations that export more than they import.

○ Its potential to increase the availability of goods and services to those nations that have an absolute advantage in the production of a good or service.

○ Its potential to increase the availability of goods and services to all nations.

○ Its potential to decrease the availability of goods and services to all nations.

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MADE BY WAQAR SIDDHU

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

International finance is the study of economics that deals with:

Answer (Please select your correct option)

○ The balance of trade.

○ The macroeconomic consequences of financial flows associated with international trade.

○ International investment opportunities for American multinational corporations.

○ The relationships among world currency dealers.

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

A strategy of restricting imports and substituting domestic production of those goods is called:

Answer (Please select your correct option)

○ Trade restraint strategy.

○ Import substitution strategy.

○ Trade blockage strategy.

○ Export substitution strategy.

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Question No : 26 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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Current account deficit can be reduced by:

Answer (Please select your correct option)

- Devaluation of currency.
- Revaluation of currency.
- Reduction in exports.
- Fiscal deficit.

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There will be decrease in potential output of a country when there is:

Answer (Please select your correct option)

- A decrease in government spending.
- An increase in government spending.
- A decrease in the economy's depreciation rate.
- A decrease in the economy's capital stock.

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

If aggregate demand grows faster then the gap between actual and potential output:

Answer (Please select your correct option)

- Narrows.
- Widens.
- Remains same.
- Is unitary.

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Question No : 30 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 : 31 of 60   Marks: 1 (Budgeted Time 1 Min)

Because of suitable weather conditions, the supply of strawberries has significantly increased. This statement indicates that:

Answer (Please select your correct option)

- The demand for strawberries will necessarily rise.
- The equilibrium quantity of strawberries will fall.
- The quantity of strawberries that will be available at various prices has increased.
- The price of strawberries will rise.

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

A decrease in the price of vanilla flavor (an ingredient of ice cream) will result in a(n):

Answer (Please select your correct option)

- Shift of the supply curve of ice cream to the left.
- Shift of the supply curve of ice cream to the right.
- Lower price of ice cream, and thus an increase in the demand for ice cream.
- Increase in the demand for ice cream and a decrease in the supply of milk.

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Marks: 1 (Budgeted Time 1 Min)

Chicken sandwiches are normal goods, which means that as:

Answer (Please select your correct option)

○ Incomes go up, the demand curve shifts to the right.

○ Incomes go up, the supply curve shifts to the right.

○ Price falls, the quantity demanded decreases.

○ As incomes increase, people buy less.

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Marks: 1 (Budgeted Time 1 Min)

If the price of a good X is increased by 15% and the quantity demanded of X reduced by 20%, then its price elasticity of demand is equal to:

Answer (Please select your correct option)

○ 0.75.

○ -1.

○ Approximately -0.33

○ Approximately -1.33.

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If the price of a good X is increased by 15 percent and its quantity demanded falls by 20 percent, the price elasticity of demand is:

Answer (Please select your correct option)

- Price elastic.
- Price inelastic.
- Unit price elastic.
- Normal.

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Utility

Answer (Please select your correct option)

- It increases as income increases.
- It remains constant for all levels of income.
- It diminishes as income increases.
- None of the given options is true.

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

A reduced price may be offered if you buy two t-shirts instead of just one. This is an example of:

Answer (Please select your correct option)

- Perfect competition.

- First-degree price discrimination.

- Monopoly.

- Second-degree price discrimination.

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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)

- The marginal product of labor is increasing.

- The marginal product of labor is decreasing.

- Total product is increasing at a diminishing rate.

- None of the given statements is true.

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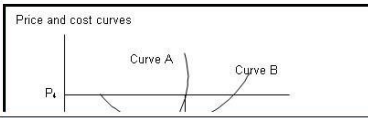
Question No : 39 of 60 — Marks: 1 (Budgeted Time 1 Min)

Price and cost curves

Curve A   Curve B

P₁

Answer (Please select your correct option)

○ Average total cost curve.

○ Marginal revenue curve.

○ Marginal cost curve.

○ Average variable cost curve.

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

Assume that there are two firms A and B who have independent choice of advertising their product or not advertising. If both firms advertise, their profits will be Rs.10 million each; if both firms do not advertise, each gets Rs.20 million profit; and if firm A advertises while firm B does not, the advertiser firm A gets Rs.25 million profit while the other firm gets Rs.6 million profit. The likely strategy by the firm according to game theory is:

Answer (Please select your correct option)

○ Both will advertise.

○ Neither will advertise.

○ Both may or may not advertise.

○ One will advertise and the other will not.

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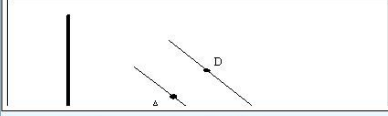
Answer (Please select your correct option)

○ An increase in consumer confidence.

○ An increase in the market interest rate.

○ An increase in personal income taxes.

○ A decrease in transfer payments.

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Which of the following does NOT likely to occur under classical economics?

Answer (Please select your correct option)

○ Full employment.

○ Flexible wages and prices.

○ Equality between saving and investment.

○ High rates of unemployment.

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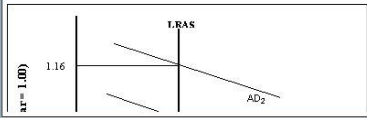
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Answer (Please select your correct option)

- $7,000 billion at a price level of 1.12.

- $7,000 billion at a price level of 1.08.

- All of the given options.

- $7,000 billion at a price level of 1.16.

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Changes in aggregate demand can be caused by changes in:
  I.   Wages.
  II.   Raw materials costs.
  III.   Government spending.
  IV.   Government regulations that increase the cost of doing business.

Answer (Please select your correct option)

- I, II, III, and IV.

- I and III only.

- I, III, and IV.

- III only.

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Question No : 45 of 60

Marks: 1 (Budgeted Time 1 Min)

Which of the following are leakages from the circular flow?

Answer (Please select your correct option)

○ Consumption and saving

○ Saving and imports

○ Imports and exports

○ Exports and savings

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Question No : 46 of 60

Marks: 1 (Budgeted Time 1 Min)

Which of the following is an example of a withdrawal?

Answer (Please select your correct option)

○ Saving

○ Investment

○ Exports

○ Government expenditures

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Question No : 47 of 60

Marks: 1 (Budgeted Time 1 Min)

The equilibrium interest rate will _____ if _____.

Answer (Please select your correct option)

○ Increase; the foreign real interest rate decreases.

○ Stay the same; the foreign real interest rate increases and foreign income decreases.

○ Increase; foreign income increases.

○ Decrease; foreign income increases.

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Question No : 48 of 60

Marks: 1 (Budgeted Time 1 Min)

Purchase of a new house for resale is an act of:

Answer (Please select your correct option)

○ Instant consumption.

○ Gradual consumption.

○ Investment.

○ Depreciation.

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

Which of the following is TRUE for the equation MV = PQ?

Answer (Please select your correct option)

○ M is the money supply.

○ V is the velocity.

○ Q is the real output level.

○ All of the given options.

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Question No : 50 of 60 Marks: 1 (Budgeted Time 1 Min)

Economic development and growth of a country depends on which of the following?

Answer (Please select your correct option)

○ Natural resources

○ Capital formation

○ Size of the market

○ All of the given options

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Which of the following statements is correct?

Answer (Please select your correct option)

- A single bank cannot multiply deposits.
- A single bank can multiply deposits.
- Some banks can multiply deposits and others cannot.
- The banking system as a whole can multiply deposits.

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Which of the following is TRUE for a current account deficit?

Answer (Please select your correct option)

- It arises when imports exceed exports.
- It arises when purchase of domestic assets by a nation's citizens exceed the purchase of foreign assets by a nation's citizens.
- It is necessary for a long run economic growth.
- It arises when a country's exchange rate falls.

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

How the growth rate of output is determined in the exogenous growth model?

Answer (Please click here to Add Answer)

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

Differentiate between international trade and international finance.

Answer (Please click here to Add Answer)

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Suppose an economy is characterized by the following equation:
Consumption = 500 + 0.90Y
Government expenditures = 300
Investment = 200
Imports = 150
Exports = 250

Answer (Please click here to Add Answer)

Water which is necessary for life is so cheap while diamonds which are not necessary for life are so expensive. Why?

Answer (Please click here to Add Answer)

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

From the information given below, calculate the average cost at each level of output.

Output	Total Cost	Average Cost
50	60,000	?
100	60,000	?
150	60,000	?
200	60,000	?

Answer (Please click here to Add Answer)

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

Identify which of the following are stock variables and which are flow variables.
   `) Unemployment
   a) Redundancies (job lay-offs)
   b) Profits
   c) A firm's stock market valuation (share price)
   d) The value of property after a period of inflation

Answer (Please click here to Add Answer)

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Marks: 5 (Budgeted Time 10 Min)

The items of balance sheet of State Bank of Pakistan are given as follows:
Forex reserves = Rs. 500
Notes and coins = Rs. 800
Credit to government = Rs. 200
Government and commercial bank deposits = Rs. 300
Credit to private sector = Rs. 700

Answer (Please click here to Add Answer)

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Marks: 5 (Budgeted Time 10 Min)

Explain the difference between appreciation and depreciation of currency.

Answer (Please click here to Add Answer)

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